A bill for an act

relating to retirement; providing financial solvency measures for Minnesota statewide and major local public employee retirement plans; increasing contribution rates; reducing certain postretirement adjustment increase rates; modifying investment return assumptions; extending amortization target dates; reducing deferred annuities augmentation; requiring a study on postretirement adjustments; amending Minnesota Statutes 2016, sections 3A.02, subdivision 4; 3A.03, subdivision 2; 352.01, subdivision 13a; 352.017, subdivision 2; 352.04, subdivisions 2, 3, 8, 9; 352.116, subdivision 1a; 352.22, subdivisions 2, 3, by adding subdivisions; 352.23; 352.27; 352.92, subdivisions 1, 2, by adding a subdivision; 352.955, subdivision 3; 352B.013, subdivision 2; 352B.02, subdivisions 1a, 1c; 352B.08, by adding a subdivision; 352B.085; 352B.086; 352B.11, subdivision 4; 352D.04, subdivision 2; 352D.05, subdivision 4; 352D.085, subdivision 1; 352D.11, subdivision 2; 352D.12; 353.01, subdivision 16; 353.0161, subdivision 2; 353.0162; 353.27, subdivisions 3c, 7a, 12, 12a, 12b; 353.28, subdivision 5; 353.30, subdivision 5; 353.34, subdivisions 2, 3; 353.35, subdivision 1; 353.65, subdivisions 2, 3, by adding a subdivision; 354.42, subdivisions 2, 3; 354.436, subdivision 3; 354.44, subdivision 6; 354.49, subdivision 2; 354.50, subdivision 2; 354.51, subdivision 5; 354.52, subdivision 4; 354.53, subdivision 5; 354.55, subdivision 11; 354A.011, subdivision 3a; 354A.093, subdivision 6; 354A.096; 354A.12, subdivisions 1, 1a, 2a, 3a, 7; 354A.29, subdivision 7; 354A.31, subdivision 7; 354A.34; 354A.37, subdivisions 2, 3; 354A.38, subdivision 3; 356.195, subdivision 2; 356.215, subdivisions 8, 9, 11; 356.30, subdivision 1; 356.415, subdivisions 1, 1a, 1b, 1c, 1d, 1e, 1f, by adding a subdivision; 356.44; 356.50, subdivision 2; 356.551, subdivision 2; 490.121, subdivisions 4, 25, 26; 490.1211; 490.124, subdivision 12; proposing coding for new law in Minnesota Statutes, chapter 356; repealing Minnesota Statutes 2016, sections 3A.12; 352.045; 352.72; 352B.30; 353.27, subdivision 3b; 353.71; 354.42, subdivisions 4a, 4b, 4c, 4d; 354.60; 354A.29, subdivisions 8, 9; 354A.39.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

MINNESOTA STATE RETIREMENT SYSTEM

Section 1. Minnesota Statutes 2016, section 3A.02, subdivision 4, is amended to read:

Subd. 4. **Deferred annuities augmentation.** ~~(a)~~ The deferred retirement allowance of any former legislator must be computed as provided in subdivision 1 on the basis of allowable service and augmented ~~as provided herein.(b) The required reserves applicable to the deferred retirement allowance, determined as of the date the benefit begins to accrue using an appropriate mortality table and an interest assumption of six percent, must be augmented~~ by interest compounded annually from the first of the month following the termination of active service, or July 1, 1973, whichever is later, to the ~~first day of the month in which the allowance begins to accrue~~ effective date of retirement, at the following ~~annually compounded~~ rate or rates:

(1) five percent until January 1, 1981;

(2) three percent from January 1, 1981, or from the first day of the month following the termination of active service, whichever is later, until January 1 of the year in which the former legislator attains age 55 or until January 1, 2012, whichever is earlier;

(3) five percent from the period end date under clause (2) until the effective date of retirement or until January 1, 2012, whichever is earlier;~~ and~~

(4) two percent ~~after December 31, 2011.~~ from January 1, 2012, until December 31, 2017; and

(5) after December 31, 2017, the deferred annuity must not be augmented.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 352.116, subdivision 1a, is amended to read:

Subd. 1a. **Actuarial reduction for early retirement.** This subdivision applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity is higher when calculated under section 352.115, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 352.115, subdivision 3, paragraph (a), in conjunction with subdivision 1. A covered employee who retires before the normal retirement age shall be paid the normal retirement annuity provided in section 352.115, subdivisions 2 and 3, paragraph (b), reduced ~~so that~~ as described in clause (1) or (2), as applicable.

(1) For covered employees who retire on or after July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at ~~an~~ the applicable annual rate~~ of three percent~~, compounded annually, from

the day the annuity begins to accrue until the normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, actuarial equivalent, for the purpose of determining the reduced annuity commencing before normal retirement age under this clause, shall not take into account any augmentation.

(2) For covered employees who retire before July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee became an employee before July 1, 2006, and at an annual rate of 2.5 percent, compounded annually, from the day the annuity begins to accrue until ~~the~~ normal retirement age if the employee ~~initially becomes~~ became an employee after June 30, 2006.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 352.22, subdivision 2, is amended to read:

Subd. 2. **Amount of refund.** Except as provided in subdivision 3, the refund payable to a person who ceased to be a state employee by reason of a termination of state service is an amount equal to employee accumulated contributions plus interest until the date on which the refund is paid, at the ~~rate of~~ following rates for the applicable period:

(a) six percent per year compounded daily from the date that the contribution was made until June 30, 2011~~, or until the date on which the refund is paid, whichever is earlier, and at the rate of~~;

(b) four percent per year compounded daily from the date that the contribution was made or ~~from~~ July 1, 2011, whichever is later~~, until the date on which the refund is paid.~~ until June 30, 2017; and

(c) three percent per year compounded daily from the date that the contribution was made or July 1, 2017, whichever is later.

Included with the refund is any interest paid as part of repayment of a past refund, plus interest thereon from the date of repayment.

Sec. 4. Minnesota Statutes 2016, section 352.22, is amended by adding a subdivision to read:

Subd. 2b. **Refund repayment.** Any person who has received a refund from the state employees retirement plan, and who is a member of any of the retirement plans specified in section 356.311, paragraph (b), may repay the refund with interest to the state employees retirement plan. If a refund is repaid to the plan and more than one refund has been received from the plan, all refunds must be repaid. Repayment must be made as provided in section 352.23, and under terms and conditions consistent with that section as agreed upon with the director.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 352.22, subdivision 3, is amended to read:

Subd. 3. **Deferred annuity.** (a) An employee who has at least three years of allowable service if employed before July 1, 2010, or who has at least five years of allowable service if employed after June 30, 2010, when termination occurs may elect to leave the accumulated contributions in the fund and thereby be entitled to a deferred retirement annuity. The annuity must be computed under the law in effect when state service terminated, on the basis of the allowable service credited to the person before the termination of service.

(b) An employee on layoff or on leave of absence without pay, except a leave of absence for health reasons, and who does not return to state service must have an annuity, deferred annuity, or other benefit to which the employee may become entitled computed under the law in effect on the employee's last working day.

(c) No application for a deferred annuity may be made more than 60 days before the time the former employee reaches the required age for entitlement to the payment of the annuity. The deferred annuity begins to accrue no earlier than 60 days before the date the application is filed in the office of the system, but not (1) before the date on which the employee reaches the required age for entitlement to the annuity nor (2) before the day following the termination of state service in a position which is not covered by the retirement system.

(d) Application for the accumulated contributions left on deposit with the fund may be made at any time following the date of the termination of service.

(e) Deferred annuities must be augmented as provided in ~~section 352.72, subdivision 2~~ subdivision 3a.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. Minnesota Statutes 2016, section 352.22, is amended by adding a subdivision to read:

Subd. 3a. **Computation of deferred annuity.** (a) The deferred annuity, if any, accruing under subdivision 3, on the basis of allowable service before termination of state service and augmented by interest compounded annually from the first day of the month following the month in which the employee ceased to be a state employee, or July 1, 1971, whichever is later, to the effective date of retirement.

(b) For a person who became a state employee before July 1, 2006, the annuity must be augmented at the following rate or rates:

(1) five percent until January 1, 1981;

(2) three percent thereafter until January 1 of the year following the year in which the former employee attains age 55 or until January 1, 2012, whichever is earlier;

(3) five percent from the January 1 next following the attainment of age 55 until December 31, 2011;

(4) two percent from January 1, 2012 , until December 31, 2017; and

(5) after December 31, 2017, the deferred annuity must not be augmented.

(c) For a person who became a state employee after June 30, 2006, the annuity must be augmented at the following rate or rates:

(1) 2.5 percent until December 31, 2011;

(2) two percent from January 1, 2012, until December 31, 2017; and

(3) after December 31, 2017, the deferred annuity must not be augmented.

(c) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former state employee who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and the tables adopted by the board and approved by the actuary retained under section 356.214.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. Minnesota Statutes 2016, section 352B.08, is amended by adding a subdivision to read:

Subd. 2b. **Computation of deferred annuity.** (a) Deferred annuities must be computed according to this chapter on the basis of allowable service before termination of service and augmented by interest compounded annually from the first day of the month following the month in which the member terminated service, or July 1, 1971, whichever is later, to the effective date of retirement.

(b) For a person who became an employee before July 1, 2006, the annuity must be augmented at the following rate or rates:

(1) five percent until January 1, 1981;

(2) three percent from January 1, 1981, until December 31, 2011;

(3) two percent from January 1, 2012, until December 31, 2017; and

(4) after December 31, 2017, the deferred annuity must not be augmented.

(c) For a person who became an employee after June 30, 2006, the annuity must be augmented as follows:

(1) 2.5 percent until December 31, 2011;

(2) two percent from January 1, 2012, until December 31, 2017; and

(3) after December 31, 2017, the deferred annuity must not be augmented.

(d) The mortality table and interest assumption used to compute the annuity must be those in effect when the member files application for annuity.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 8. Minnesota Statutes 2016, section 352D.085, subdivision 1, is amended to read:

Subdivision 1. **Combined service.** Except as provided in section 356.30, 356.302, or 356.303, service under the unclassified program for which the employee has been credited with employee shares may be used for the limited purpose of qualifying for benefits under sections 352.115, ~~352.72, subdivision 1,~~ 352.113, 354.44, 354.45, 354.48, and ~~354.60~~ 356.311. The service also may not be used to qualify for a disability benefit under section 352.113 or 354.48 if a participant was under the unclassified program at the time of the disability. Also, the years of service and salary paid while the participant was in the unclassified program may not be used in determining the amount of benefits.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 490.121, subdivision 25, is amended to read:

Subd. 25. **Tier I.** "Tier I" is the benefit program of the retirement plan with a membership specified by section 490.1221, paragraph (b), and governed by sections 356.415, ~~subdivisions 1 and~~ subdivision 1f; and 490.121 to 490.133, except as modified in sections 490.121, subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and 490.124, subdivision 1, paragraphs (c) and (d).

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 490.121, subdivision 26, is amended to read:

Subd. 26. **Tier II.** "Tier II" is the benefit program of the retirement plan with a membership specified by section 490.1221, paragraph (c), and governed by sections 356.415, ~~subdivisions 1 and~~ subdivision 1f; 490.121 to 490.133, as modified in section 490.121, subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and 490.124, subdivision 1, paragraphs (c) and (d).

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 11. **REPEALER.**

Minnesota Statutes 2016, sections 3A.12; 352.045; 352.72; and 352B.30, are repealed.

EFFECTIVE DATE. This section is effective July 1, 2017.

ARTICLE 2

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 2016, section 353.30, subdivision 5, is amended to read:

Subd. 5. **Actuarial reduction for early retirement.** (a) This subdivision applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under section 353.29, subdivision 3, paragraph (b), in conjunction with this subdivision than when calculated under section 353.29, subdivision 3, paragraph (a), in conjunction with subdivision 1, 1a, 1b, or 1c. An employee who retires before normal retirement age shall be paid the retirement annuity provided in section 353.29, subdivision 3, paragraph (b), reduced ~~so that~~ as described in paragraph (b) or (c), as applicable.

(b) For members who retire on or after July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at ~~an~~ the applicable annual rate ~~of three percent~~, compounded annually, from the day the annuity begins to accrue until ~~the~~ normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, actuarial equivalent, for the purpose of determining the reduced annuity commencing before normal retirement age under this paragraph, shall not take into account any augmentation.

(c) For members who retire before July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent, compounded annually, from the day the annuity begins to accrue until ~~the~~ normal retirement age if the employee ~~initially becomes~~ became an employee after June 30, 2006.

EFFECTIVE DATE. This section is effective for reduced annuities with an annuity starting date that is on or after July 1, 2018, notwithstanding the member's date of termination of public service.

Sec. 2. Minnesota Statutes 2016, section 353.34, subdivision 2, is amended to read:

Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person who ceases to be a public employee is entitled to receive a refund in an amount equal to accumulated deductions with annual compound interest to the first day of the month in which the refund is processed.

(b) Annual compound interest on a refund under paragraph (a) shall be as follows:

(i) for a person who ceases to be a public employee before July 1, 2011, the refund interest is at the rate of six percent to June 30, 2011, at the rate of four percent after June 30, 2011, to June 30, 2017, and at the rate of ~~four~~ three percent after June 30, ~~2011.~~ 2017;

(ii) For a person who ceases to be a public employee after ~~July 1~~ June 30, 2011, and before July 1, 2017, the refund interest is at the rate of four percent~~.~~ to June 30, 2017, and at the rate of three percent after June 30, 2017; and

(iii) For a person who ceases to be a public employee after June 30, 2017, the refund interest is at the rate of three percent.

(c) If a person repays a refund and subsequently applies for another refund, the repayment amount, including interest, is added to the fiscal year balance in which the repayment was made.

(d) If the refund payable to a member is based on employee deductions that are determined to be invalid under section 353.27, subdivision 7, the interest payable on the invalid employee deductions is four percent.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 353.34, subdivision 3, is amended to read:

Subd. 3. **Deferred annuity; eligibility; computation.** (a) A member who is vested under section 353.01, subdivision 47, when termination of public service or termination of membership occurs has the option of leaving the accumulated deductions in the fund and being entitled to a deferred retirement annuity commencing at normal retirement age or to a deferred early retirement annuity under section 353.30, subdivision 1a, 1b, 1c, or 5.

(b) The deferred annuity must be computed under section 353.29, subdivision 3, on the basis of the law in effect on the date of termination of public service or termination of membership, whichever is earlier, and must be augmented as provided in ~~section 353.71, subdivision 2~~ paragraph (c).

(c) The deferred annuity accruing under subdivision 3, section 353.68, subdivision 4, or section 356.311, must be computed on the basis of allowable service prior to the termination of public service and augmented by interest compounded annually from the first day of the month following the month in which the former member ceased to be a public employee, or July 1, 1971, whichever is later, to the effective date of retirement.

(d) For a person who became a public employee before July 1, 2006, and who has a termination of public service before January 1, 2012, the deferred annuity must be augmented at the following rate or rates:

(1) five percent until January 1, 1981;

(2) three percent from January 1, 1981, until January 1 of the year following the year in which the former member attains age 55 or until December 31, 2011, whichever is earlier;

(3) five percent from January 1 of the year following the year in which the former member attains age 55, or until December 31, 2011, whichever is earlier;

(4) one percent from January 1, 2012, until December 31, 2017; and

(5) after December 31, 2017, the deferred annuity must not be augmented.

(e) For a person who became a public employee after June 30, 2006, and who has a termination of public service before January 1, 2012, the deferred annuity must be augmented at the following rate or rates:

(1) 2.5 percent until December 31, 2011;

(2) one percent from January 1, 2012, until December 31, 2017; and

(3) after December 31, 2017, the deferred annuity must not be augmented.

(f) For a person who has a termination of public service after December 31, 2011, the deferred annuity must not be augmented.

(g) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, or the survivor benefit payable on behalf of a basic or police and fire member who was receiving disability benefits before July 1, 1997, which is first payable after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained under section 356.214.

~~(e)~~ (h) A former member qualified to apply for a deferred retirement annuity may revoke this option at any time before the commencement of deferred annuity payments by making application for a refund. The person is entitled to a refund of accumulated member contributions within 30 days following date of receipt of the application by the executive director.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. **REPEALER.**

Minnesota Statutes 2016, sections 353.27, subdivision 3b; and 353.71, are repealed.

EFFECTIVE DATE. This section is effective July 1, 2017.

ARTICLE 3

TEACHERS RETIREMENT ASSOCIATION

Section 1. Minnesota Statutes 2016, section 354.436, subdivision 3, is amended to read:

Subd. 3. **Aid expiration.** The aid amounts specified in this section terminate and this section expires on the October 1 next following ~~the later of the following dates: (1) when~~ the date on which the current assets of the Teachers Retirement Association fund equal or exceed the actuarial accrued liabilities of the fund as determined in the most recent actuarial valuation report for the Teachers Retirement Association fund by the actuary retained under section 356.214~~; or (2) when the member and employer contribution rates are first determined to be eligible for a reduction under section 354.42, subdivisions 4a, 4b, 4c, and 4d~~.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 354.44, subdivision 6, is amended to read:

Subd. 6. **Computation of formula program retirement annuity.** (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in paragraph (b) or (d) on the basis of each member's average salary under section 354.05, subdivision 13a, for the period of the member's formula service credit.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled for service rendered before July 1, 2006:

Period	Coordinated Member	Basic Member
Each year of service during first ten	1.2 percent per year	2.2 percent per year
Each year of service thereafter	1.7 percent per year	2.7 percent per year

For service rendered on or after July 1, 2006, by a member other than a member who was a member of the former Duluth Teachers Retirement Fund Association between January 1, 2006, and June 30, 2015, and for service rendered on or after July 1, 2013, by a member who was a member of the former Duluth Teachers Retirement Fund Association between January 1, 2013, and June 30, 2015, the average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of service credit, determines the amount the annuity to which the member qualifying therefor is entitled:

Period	Coordinated Member	Basic Member
Each year of service during first ten	1.4 percent per year	2.2 percent per year
Each year of service after ten years of service	1.9 percent per year	2.7 percent per year

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). For a basic member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by 2.7 percent for each year of service for a basic member determines the amount of the retirement annuity to which the basic member is entitled. The annuity of a basic member who was a member of the former Minneapolis Teachers Retirement Fund Association as of June 30, 2006, must be determined according to the annuity formula under the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association in effect as of that date. For a coordinated member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by 1.7 percent for each year of service rendered before July 1, 2006, and by 1.9 percent for each year of service rendered on or after July 1, 2006, for a member other than a member who was a member of the former Duluth Teachers Retirement Fund Association between January 1, 2006, and June 30, 2015, and by 1.9 percent for each year of service rendered on or after July 1, 2013, for a member of the former Duluth Teachers Retirement Fund Association between January 1, 2013, and June 30, 2015, determines the amount of the retirement annuity to which the coordinated member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) reduced ~~so that~~ as described in clause (1) or (2), as applicable. Except in regards to section 354.46 and paragraph (g), this paragraph remains in effect until June 30, 2015.

(1) for employees who retire on or after July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at ~~an~~ the applicable annual rate~~ of three percent~~, compounded annually, from the day the annuity begins to accrue until ~~the~~ normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, actuarial equivalent, for the purpose of determining the reduced annuity commencing before normal retirement age under this clause, shall not take into account any augmentation.

(2) for members who retire before July 1, 2018, the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity until normal retirement age and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent, compounded annually, from the day the annuity begins to accrue until normal retirement age if the employee ~~becomes~~ became an employee after June 30, 2006.~~ Except in regards to section 354.46, this paragraph remains in effect until June 30, 2015.~~

(f) After June 30, 2020, this paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b) in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age is entitled to receive the normal annuity provided in paragraph (d) reduced as described in clause (1) or (2), as applicable.

~~For a person who~~ (1) if the member retires when the member is at least age 62 or older and has at least 30 years of service, the annuity must be reduced by an early reduction factor of six percent per year of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent, compounded annually, from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee became an employee after June 30, 2006. ~~For a person who~~

The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(2) if the member retires when the member is ~~not at least~~ younger than age 62 ~~or older and does not have at least~~ or with fewer than 30 years of service, the annuity ~~would~~ must be reduced by an early reduction factor ~~of~~ for each year that the member's age of retirement precedes normal retirement age. The early reduction factors are four percent per year for ages 55 through 59 and seven percent per year for ages 60 through 65.~~of~~ The resulting annuity ~~that would be payable to the employee~~ must be further adjusted to take into account augmentation as if the employee deferred receipt of the annuity until normal retirement age and the annuity ~~amount~~ were augmented at ~~an~~ the applicable annual rate~~ of three percent~~, compounded annually, from the day the annuity begins to accrue until ~~the~~ normal retirement age~~ if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee became an employee after June 30, 2006~~.The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, three percent if the employee became an employee before July 1, 2006, and 2.5 percent if the employee became an employee after June 30, 2006;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, the reduced annuity commencing before normal retirement age under this clause shall not take into account any augmentation.

(g) After June 30, 2015, and before July 1, 2020, for a person who would have a reduced retirement annuity under either paragraph (e) or (f) if they were applicable, the employee is entitled to receive a reduced annuity which must be calculated using a blended reduction factor augmented monthly by 1/60 of the difference between the reduction required under paragraph (e) and the reduction required under paragraph (f).

(h) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the

Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 354.49, subdivision 2, is amended to read:

Subd. 2. **Calculation.** (a) Except as provided in section 354.44, subdivision 1, any person who ceases to be a member by reason of termination of teaching service, is entitled to receive a refund in an amount equal to the accumulated deductions credited to the account plus interest compounded annually using the following interest rates:

(1) before July 1, 1957, no interest accrues;

(2) July 1, 1957, to June 30, 2011, six percent; ~~and~~

(3) ~~after June 30~~ July 1, 2011, to June 30, 2017, four percent; and

(4) after June 30, 2017, three percent.

For the purpose of this subdivision, interest must be computed on fiscal year end balances to the first day of the month in which the refund is issued.

(b) If the person has received permanent disability payments under section 354.48, the refund amount must be reduced by the amount of those payments.

Sec. 4. Minnesota Statutes 2016, section 354.55, subdivision 11, is amended to read:

Subd. 11. **Deferred annuity; augmentation.** (a) Any person covered under section 354.44, subdivision 6, who ceases to render teaching service, may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement.

(b) The amount of the deferred retirement annuity is determined by section 354.44, subdivision 6, and must be augmented ~~as provided in this subdivision. The required reserves for the annuity which had accrued when the member ceased to render teaching service must be augmented, as further specified in this subdivision,~~ by the applicable interest rate compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement.

(c) No augmentation is ~~not~~ creditable if the deferral period is less than three months or if deferral commenced before July 1, 1971.

(d) For persons who became covered employees before July 1, 2006, ~~with a deferral period commencing after June 30, 1971,~~ the annuity must be augmented as follows:

(1) five percent ~~interest compounded annually~~ until January 1, 1981;

(2) three percent ~~interest compounded annually~~ from January 1, 1981, until January 1 of the year following the year in which the deferred annuitant attains age 55 or until June 30, 2012, whichever is earlier;

(3) five percent ~~interest compounded annually~~ from the date established in clause (2) ~~to the effective date of retirement or~~ until June 30, 2012~~, whichever is earlier~~; ~~and~~

(4) two percent ~~interest compounded annually after June 30, 2012~~ from July 1, 2012, until June 30, 2018; and

(5) after June 30, 2018, the deferred annuity must not be augmented.

(e) For persons who become covered employees after June 30, 2006, the ~~interest rate used to augment the deferred~~ annuity ~~is~~ must be augmented as follows:

(1) 2.5 percent ~~interest compounded annually~~ until June 30, 2012~~, or until the effective date of retirement, whichever is earlier, and~~;

(2) two percent ~~interest compounded annually after June 30~~ from July 1, 2012, until June 30, 2018; and

(3) after June 30, 2018, the deferred annuity must not be augmented.

~~(f) If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period must be augmented as specified in this subdivision. The sum of the augmented required reserves is the present value of the annuity. For the purposes of this subdivision, "period of uninterrupted service" means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.~~

~~(g) If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has allowable service credit in the Teachers Retirement Association.~~

~~(h) If a person does not render teaching service in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of the resumption of teaching service must be those applicable to new members.~~

~~(i) The mortality table and interest rate actuarial assumption used to compute the annuity must be the applicable mortality table established by the board under section 354.07, subdivision 1, and the interest rate actuarial assumption under section 356.215 in effect when the member retires.~~

~~(j)~~ (f) In no case may the annuity payable under this subdivision be less than the amount of annuity payable under section 354.44, subdivision 6.

~~(k)~~ (g) The requirements and provisions for retirement before normal retirement age contained in section 354.44, subdivision 6, also apply to an employee fulfilling the requirements with a combination of service as provided in section ~~354.60~~ 356.311.

~~(l)~~ (h) The augmentation provided by this subdivision applies to the benefit provided in section 354.46, subdivision 2.

~~(m)~~ (i) The augmentation provided by this subdivision does not apply to any period in which a person is on an approved leave of absence from an employer unit covered by the provisions of this chapter.

~~(n)~~ (j) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former teacher who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained under section 356.214.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. **REPEALER.**

Minnesota Statutes 2016, sections 354.42, subdivisions 4a, 4b, 4c, and 4d; and 354.60, are repealed.

EFFECTIVE DATE. This section is effective July 1, 2017.

ARTICLE 4

ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION

Section 1. Minnesota Statutes 2016, section 354A.011, subdivision 3a, is amended to read:

Subd. 3a. **Actuarial equivalent.** "Actuarial equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date with each actuarial present value based on the appropriate mortality table adopted by the appropriate board of trustees based on the experience of that retirement fund association as recommended by the actuary retained under section 356.214, and approved under section 356.215, subdivision 18, and using the applicable ~~preretirement or postretirement interest rate~~ investment return assumption specified in section 356.215, subdivision 8.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 354A.29, subdivision 7, is amended to read:

Subd. 7. ~~**Eligibility for payment of**~~ **Postretirement adjustments.** ~~(a) Annually, after June 30, the board of trustees of the St. Paul Teachers Retirement Fund Association must determine the amount of any postretirement adjustment using the procedures in this subdivision and subdivision 8 or 9, whichever is applicable.~~

~~(b) On January 1~~ (a) Except as set forth in paragraph (c), each person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter, whose effective date of benefit commencement occurred on or before July 1 of the calendar year immediately before the adjustment, is eligible to receive ~~a~~ an annual postretirement ~~increase as specified in subdivision 8 or 9.~~ adjustment, effective as of each January 1, as follows:

(1) There shall be no postretirement adjustment on January 1, 2018, and January 1, 2019;

(2) The postretirement adjustment shall be one percent on January 1, 2020, and each January 1 thereafter.

(b) The amount determined under paragraph (a), clause (2), is the full postretirement adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred after January 1 of the calendar year immediately before the postretirement adjustment is applied, the amount determined under paragraph (a), clause (2), must be reduced by 50 percent.

(c) Each person who retires on or after January 1, 2020, is entitled to an annual postretirement adjustment, effective as of each January 1, beginning with the year following the year in which the member attains normal retirement age.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2016, section 354A.31, subdivision 7, is amended to read:

Subd. 7. **Reduction for early retirement.** (a) This subdivision applies to a person who has become at least 55 years old and first becomes a coordinated member after June 30, 1989, and to any other coordinated member who has become at least 55 years old and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), as applicable, in conjunction with this subdivision than when calculated under subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6. An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity reduced as described in paragraph (b) if the person retires on or after July 1, 2018, or in paragraph (c) if the person retires before July 1, 2018, as applicable.

(b) A coordinated member who retires before the normal retirement age and on or after July 1, 2018, is entitled to receive a retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), whichever applies, reduced as described in clause (1) or (2), as applicable.

(1) if the member retires when the member is younger than age 62 or with fewer than 30 years of service, the annuity must be reduced by an early reduction factor for each year that the member's age of retirement precedes normal retirement age. The early reduction factors are four percent per year for ages 55 through 59 and seven percent per year for ages 60 through 65. The resulting annuity must be further adjusted to take into account augmentation as if the employee had deferred receipt of the annuity until normal retirement age and the annuity were augmented at the applicable annual rate, compounded annually, from the day the annuity begins to accrue until normal retirement age. The applicable annual rate is the rate in effect on the employee's effective date of retirement and shall be considered as fixed for the employee for the period until the employee reaches normal retirement age. The applicable annual rates are the following:

(i) until June 30, 2018, 2.5 percent;

(ii) a rate that changes each month, beginning July 1, 2018, through June 30, 2023, which is determined by reducing the rate in item (i) to zero in equal monthly increments over the five-year period; and

(iii) after June 30, 2023, zero percent.

After June 30, 2023, the reduced annuity commencing before normal retirement age under this clause shall not take into account any augmentation.

(2) If the member retires when the member is at least age 62 or older and has at least 30 years of service, the member is entitled to receive a retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (c), whichever applies, multiplied by the applicable early retirement factor specified for members "Age 62 or older with 30 years of service" in the table in paragraph (c).

(c) A coordinated member who retires before the normal retirement age and before July 1, 2018, is entitled to receive a retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), whichever applies, multiplied by the applicable early retirement factor specified below:

	Under age 62 or less than 30 years of service		Age 62 or older with 30 years of service	
Normal retirement age:	65	66	65	66
Age at retirement				
55	0.5376	0.4592		
56	0.5745	0.4992		
57	0.6092	0.5370		
58	0.6419	0.5726		
59	0.6726	0.6062		
60	0.7354	0.6726		
61	0.7947	0.7354		
62	0.8507	0.7947	0.8831	0.8389
63	0.9035	0.8507	0.9246	0.8831
64	0.9533	0.9035	0.9635	0.9246
65	1.0000	0.9533	1.0000	0.9635
66		1.0000		1.0000

For normal retirement ages between ages 65 and 66, the early retirement factors must be determined by linear interpolation between the early retirement factors applicable for normal retirement ages 65 and 66.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 354A.37, subdivision 2, is amended to read:

Subd. 2. **Eligibility for deferred retirement annuity.** (a) Any coordinated member who ceases to render teaching services for the school district in which the teachers retirement fund association is located, with sufficient allowable service credit to meet the minimum service requirements specified in section 354A.31, subdivision 1, shall be entitled to a deferred retirement annuity in lieu of a refund under subdivision 1.

(b) The deferred retirement annuity must be computed under section 354A.31 and shall be augmented ~~as provided in this subdivision~~ by the applicable interest rate compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There is no augmentation if this period is less than three months.

(c) The deferred annuity commences upon application after the person on deferred status attains at least the minimum age specified in section 354A.31, subdivision 1.

~~(b) The monthly annuity amount that had accrued when the member ceased to render teaching service must be augmented from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There is no augmentation if this period is less than three months. The rate of augmentation is~~

(d) For a person who became a covered employee before July 1, 2006, the annuity must be augmented as follows:

(1) three percent compounded annually until January 1 of the year following the year in which the former member attains age 55~~,~~ or until June 30, 2012, whichever is earlier;

(2) five percent ~~compounded annually after that date to July 1~~ from the January 1, next following the attainment of age 55 or until June 30, 2012~~, and~~;

(3) two percent ~~compounded annually after that date to the effective date of retirement if the employee became an employee before July 1, 2006, and at~~ from July 1, 2012, until June 30, 2018; and

(4) after June 30, 2018, the deferred annuity must not be augmented.

(e) For a person who became a covered employee after June 30, 2006, the annuity must be augmented as follows:

(1) 2.5 percent ~~compounded annually to July 1, 2012, and~~ until June 30, 2012;

(2) two percent ~~compounded annually after that date to the effective date of retirement if the employee became an employee after June 30, 2006~~ from July 1, 2012, until June 30, 2018; and

~~. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354A.31 must be used for each period, and the monthly annuity~~

~~amount related to each period must be augmented as provided in this subdivision. The sum of the augmented monthly annuity amounts determines the total deferred annuity payable. If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has credit with the fund. If a person does not render teaching services in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of resumption of teaching service are those applicable to new members. The mortality table and interest assumption used to compute the annuity are the table established by the fund to compute other annuities, and the interest assumption under section 356.215 in effect when the member retires. A period of uninterrupted service for the purpose of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year~~.

(3) after June 30, 2018, the deferred annuity must not be augmented.

~~(e)~~ (f) The augmentation provided by this subdivision applies to the benefit provided in section 354A.35, subdivision 2.

(g) The augmentation provided by this subdivision does not apply to any period in which a person is on an approved leave of absence from an employer unit.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 354A.37, subdivision 3, is amended to read:

Subd. 3. **Computation of refund amount.** A former coordinated member who qualifies for a refund under subdivision 1 is entitled to receive a refund equal to the amount of the former coordinated member's accumulated employee contributions with interest at the ~~rate of~~ following rates for the applicable period:

(a) Six percent per annum compounded annually to July 1, 2011~~, if the person is a former member of the St. Paul Teachers Retirement Fund Association, and~~;

(b) four percent per annum compounded annually to July 1, 2017; and

(c) three percent per annum compounded annually thereafter.

Sec. 6. **REPEALER.**

(a) Minnesota Statutes 2016, section 354A.29, subdivisions 8 and 9, are repealed.

(b) Minnesota Statutes 2016, section 354A.39, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective July 1, 2017.

ARTICLE 5

POSTRETIREMENT ADJUSTMENTS FOR STATEWIDE PLANS AND GENERAL PROVISIONS

Section 1. Minnesota Statutes 2016, section 356.215, subdivision 8, is amended to read:

Subd. 8. **~~Interest and salary~~ Actuarial assumptions.** (a) The actuarial valuation must use the applicable following ~~interest~~ investment return assumption:

~~(1) select and ultimate interest rate assumption~~

~~plan~~	~~ultimate interest rate assumption~~
~~teachers retirement plan~~	~~8.5%~~

~~The select preretirement interest rate assumption for the period through June 30, 2017, is eight percent.~~

~~(2) single rate interest rate assumption~~

plan	~~interest rate~~ investment return assumption
general state employees retirement plan	~~8~~ 7.5%
correctional state employees retirement plan	~~8~~ 7.5
State Patrol retirement plan	~~8~~ 7.5
legislators retirement plan, and for the constitutional officers calculation of total plan liabilities	0
judges retirement plan	~~8~~ 7.5
general public employees retirement plan	~~8~~ 7.5
public employees police and fire retirement plan	~~8~~ 7.5
local government correctional service retirement plan	~~8~~ 7.5
teachers retirement plan	7.5
St. Paul teachers retirement plan	~~8~~7.5
Bloomington Fire Department Relief Association	6
local monthly benefit volunteer firefighter relief associations	5
monthly benefit retirement plans in the statewide volunteer firefighter retirement plan	6

(b)~~(1) If funding stability has been attained,~~ The actuarial valuation for each of the covered retirement plans listed in section 356.415, subdivision 2, must ~~use a~~ take into account the postretirement adjustment rate ~~actuarial assumption equal to the postretirement adjustment rate~~ or rates applicable to the plan as specified in section ~~354A.27, subdivision 7;~~ 354A.29, subdivision ~~9~~ 7; or 356.415~~, subdivision 1~~, whichever applies.

~~(2) If funding stability has not been attained, the valuation must use a select postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate specified in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a, 1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the approved actuary estimates that the plan will attain the defined funding stability measure, and thereafter an ultimate postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate under section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1, for the applicable period or periods beginning when funding stability is projected to be attained.~~

(c) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5%
judges retirement plan	2.75
Bloomington Fire Department Relief Association	4

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
local government correctional service retirement plan	assumption B
St. Paul teachers retirement plan	assumption A

For plans other than the St. Paul teachers retirement plan and the local government correctional service retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for the local government correctional service retirement plan and 15 for the St. Paul Teachers Retirement Fund Association. The designated percentage rate is 0.2 percent for the St. Paul Teachers Retirement Fund Association.

The ultimate future salary increase assumption is:

age	A	B
16	5.9%	8.75%
17	5.9	8.75
18	5.9	8.75
19	5.9	8.75
20	5.9	8.75
21	5.9	8.5
22	5.9	8.25
23	5.85	8
24	5.8	7.75
25	5.75	7.5
26	5.7	7.25
27	5.65	7
28	5.6	6.75
29	5.55	6.5
30	5.5	6.5
31	5.45	6.25
32	5.4	6.25
33	5.35	6.25
34	5.3	6
35	5.25	6
36	5.2	5.75
37	5.15	5.75
38	5.1	5.75
39	5.05	5.5
40	5	5.5

41	4.95	5.5
42	4.9	5.25
43	4.85	5
44	4.8	5
45	4.75	4.75
46	4.7	4.75
47	4.65	4.75
48	4.6	4.75
49	4.55	4.75
50	4.5	4.75
51	4.45	4.75
52	4.4	4.75
53	4.35	4.75
54	4.3	4.75
55	4.25	4.5
56	4.2	4.5
57	4.15	4.25
58	4.1	4
59	4.05	4
60	4	4
61	4	4
62	4	4
63	4	4
64	4	4
65	4	3.75
66	4	3.75
67	4	3.75
68	4	3.75
69	4	3.75
70	4	3.75

(3) service-related ultimate future salary increase assumption

general state employees retirement plan of the Minnesota State Retirement System	assumption A
general employees retirement plan of the Public Employees Retirement Association	assumption B
Teachers Retirement Association	assumption C
public employees police and fire retirement plan	assumption D
State Patrol retirement plan	assumption E

correctional state employees retirement plan of the Minnesota State Retirement System	assumption F

service length	A	B	C	D	E	F
1	10.25%	11.78%	12%	12.75%	7.75%	5.75%
2	7.85	8.65	9	10.75	7.25	5.6
3	6.65	7.21	8	8.75	6.75	5.45
4	5.95	6.33	7.5	7.75	6.5	5.3
5	5.45	5.72	7.25	6.25	6.25	5.15
6	5.05	5.27	7	5.85	6	5
7	4.75	4.91	6.85	5.55	5.75	4.85
8	4.45	4.62	6.7	5.35	5.6	4.7
9	4.25	4.38	6.55	5.15	5.45	4.55
10	4.15	4.17	6.4	5.05	5.3	4.4
11	3.95	3.99	6.25	4.95	5.15	4.3
12	3.85	3.83	6	4.85	5	4.2
13	3.75	3.69	5.75	4.75	4.85	4.1
14	3.55	3.57	5.5	4.65	4.7	4
15	3.45	3.45	5.25	4.55	4.55	3.9
16	3.35	3.35	5	4.55	4.4	3.8
17	3.25	3.26	4.75	4.55	4.25	3.7
18	3.25	3.25	4.5	4.55	4.1	3.6
19	3.25	3.25	4.25	4.55	3.95	3.5
20	3.25	3.25	4	4.55	3.8	3.5
21	3.25	3.25	3.9	4.45	3.75	3.5
22	3.25	3.25	3.8	4.35	3.75	3.5
23	3.25	3.25	3.7	4.25	3.75	3.5
24	3.25	3.25	3.6	4.25	3.75	3.5
25	3.25	3.25	3.5	4.25	3.75	3.5
26	3.25	3.25	3.5	4.25	3.75	3.5
27	3.25	3.25	3.5	4.25	3.75	3.5
28	3.25	3.25	3.5	4.25	3.75	3.5
29	3.25	3.25	3.5	4.25	3.75	3.5
30 or more	3.25	3.25	3.5	4.25	3.75	3.5

(d) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption

general state employees retirement plan of the Minnesota State Retirement System	3.5%
correctional state employees retirement plan	3.5
State Patrol retirement plan	3.5
judges retirement plan	2.75
general employees retirement plan of the Public Employees Retirement Association	3.5
public employees police and fire retirement plan	3.5
local government correctional service retirement plan	3.5
teachers retirement plan	3.75
St. Paul teachers retirement plan	4

(e) The assumptions set forth in paragraphs (c) and (d) continue to apply, unless a different salary assumption or a different payroll increase assumption:

(1) has been proposed by the governing board of the applicable retirement plan;

(2) is accompanied by the concurring recommendation of the actuary retained under section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most recent actuarial valuation report if section 356.214 does not apply; and

(3) has been approved or deemed approved under subdivision 18.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 356.215, subdivision 9, is amended to read:

Subd. 9. **Other assumptions.** ~~The~~ (a) Each plan's actuarial valuation must use assumptions concerning base mortality rates, disability, retirement, withdrawal, retirement age, and any other relevant demographic or economic factor. These assumptions must be set at levels consistent with those determined in the most recent quadrennial experience study completed under subdivision 16, if required, or ~~representative of the best estimate of future experience~~ as recommended by the plan's approved actuary, if a quadrennial experience study is not required.

(b) The actuarial valuation may use an assumption concerning future mortality improvement. This assumption may be set at levels consistent with those determined in the most recent mortality improvement scale published by the Society of Actuaries or as otherwise recommended by the plan's approved actuary.

(c) The actuarial valuation must contain an exhibit indicating ~~any~~ the actuarial assumptions used in preparing the valuation report.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 356.215, subdivision 11, is amended to read:

Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial reporting purposes indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability and must contain an exhibit for contribution determination purposes indicating the additional contribution sufficient to amortize the unfunded actuarial accrued liability. For the retirement plans listed in subdivision 8, paragraph (c), but excluding the legislators retirement plan, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared, assuming annual payroll growth at the applicable percentage rate set forth in subdivision 8, paragraph (d). For all other retirement plans and for the legislators retirement plan, the additional annual contribution must be calculated on a level annual dollar amount basis.

(b) For any retirement plan other than a retirement plan governed by paragraph (d), (e), (f), (g), (h), (i), or (j), if there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by itself or by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding is the first actuarial valuation date occurring after June 1, 2020.

(c) For any retirement plan, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by itself or by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding must be determined using the following procedure:

(i) the unfunded actuarial accrued liability of the fund must be determined in accordance with the plan provisions governing annuities and retirement benefits and the actuarial assumptions in effect before an applicable change;

(ii) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the unfunded actuarial accrued liability amount determined under item (i) by the established date for full funding in effect before the change must be calculated using the interest assumption specified in subdivision 8 in effect before the change;

(iii) the unfunded actuarial accrued liability of the fund must be determined in accordance with any new plan provisions governing annuities and benefits payable from the fund and any new actuarial assumptions and the remaining plan provisions governing annuities and benefits payable from the fund and actuarial assumptions in effect before the change;

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable interest assumption specified in subdivision 8 in effect after any applicable change;

(v) the level annual dollar or level percentage amortization contribution under item (iv) must be added to the level annual dollar amortization contribution or level percentage calculated under item (ii);

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 8 in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

(vii) the period determined under item (vi) must be added to the date as of which the actuarial valuation was prepared and the date obtained is the new established date for full funding.

(d) For the general employees retirement plan of the Public Employees Retirement Association, the established date for full funding is June 30, ~~2031~~ <u>2047</u>.

(e) For the Teachers Retirement Association, the established date for full funding is June 30, ~~2037~~ <u>2047</u>.

(f) For the correctional state employees retirement plan and the State Patrol retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, ~~2038~~ 2047.

(g) For the judges retirement plan, the established date for full funding is June 30, ~~2038~~ 2047.

(h) For the local government correctional service retirement plan and the public employees police and fire retirement plan, the established date for full funding is June 30, ~~2038~~ 2047.

(i) For the St. Paul Teachers Retirement Fund Association, the established date for full funding is June 30, ~~2042. In addition to other requirements of this chapter, the annual actuarial valuation must contain an exhibit indicating the funded ratio and the deficiency or sufficiency in annual contributions when comparing liabilities to the market value of the assets of the fund as of the close of the most recent fiscal year~~ 2047.

(j) For the general state employees retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, ~~2040~~ 2047.

(k) For the retirement plans for which the annual actuarial valuation indicates an excess of valuation assets over the actuarial accrued liability, the valuation assets in excess of the actuarial accrued liability must be recognized as a reduction in the current contribution requirements by an amount equal to the amortization of the excess expressed as a level percentage of pay over a 30-year period beginning anew with each annual actuarial valuation of the plan.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 356.30, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any provisions of the laws governing the covered retirement plans ~~enumerated~~ listed in subdivision 3, a person ~~who has met the qualifications of paragraph (b)~~ may elect to receive, upon retirement, a retirement annuity from each ~~enumerated~~ covered retirement plan ~~in which the person has at least one-half year of allowable service, based on the allowable service in each plan~~, subject to the provisions of paragraph ~~(c)~~ (b), if the person has:

(1) allowable service in any two or more of the covered plans;

(2) at least one-half year of allowable service in each covered plan, based on the allowable service in each plan;

(3) total allowable service equals or exceeds the longest service credit vesting requirement of the applicable retirement plan; and

(4) not begun to receive an annuity from any covered plan or has made application for benefits from each applicable plan and the retirement annuity effective dates of each plan are within a one-year period.

~~(b) A person may receive, upon retirement, a retirement annuity from each enumerated retirement plan in which the person has at least one-half year of allowable service, and augmentation of a deferred annuity calculated at the appropriate rate under the laws governing each public pension plan or fund named in subdivision 3, based on the date of the person's initial entry into public employment from the date the person terminated all public service if:~~

~~(1) the person has allowable service in any two or more of the enumerated plans;~~

~~(2) the person has sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement; and~~

~~(3) the person has not begun to receive an annuity from any enumerated plan or the person has made application for benefits from each applicable plan and the effective dates of the retirement annuity with each plan under which the person chooses to receive an annuity are within a one-year period.~~

~~(c)~~ (b) If all requirements in paragraph (a) have been satisfied, the retirement annuity from each plan must be based upon the allowable service, accrual rates, and average salary in the applicable plan except as further specified or modified in the following clauses:

(1) the laws governing annuities must be the law in effect on the date of termination from the last period of public service under a covered retirement plan with which the person earned a minimum of one-half year of allowable service credit during that employment;

(2) the ~~"~~average salary~~" on which the annuity from each covered plan in which the employee has credit in a~~ used to calculate the annuity for each formula plan must be based on the employee's highest five successive years of covered salary during the entire service in covered plans;

(3) the accrual rates ~~to be used by~~ under each plan must be ~~those~~ the percentages prescribed by each plan's formula ~~as continued~~ in effect for the respective years of allowable service from one plan to the next, recognizing all previous allowable service with the other covered plans;

(4) the allowable service in all the covered plans must be combined in determining eligibility for and the application of each plan's provisions ~~in~~ with respect to reduction in the annuity amount for retirement prior to normal retirement age; and

(5) the annuity amount payable for any allowable service under a nonformula plan ~~of~~ that is a covered plan must not be affected, but such service and covered salary must be used in the above calculation.

(c) If a person eligible for an annuity under paragraph (a) from each covered plan terminates all public service, the deferred annuity must be augmented from the date of termination until the earlier of:

(1) the effective date of retirement; or

(2) December 31, 2017, for the Minnesota State Retirement System and the Public Employees Retirement Association or June 30, 2018, for the Teachers Retirement Association and the St. Paul Teachers Retirement Association.

A deferred annuity must not be augmented after the applicable dates under clause (2). The appropriate rate of augmentation is the rate in effect on the date on which the person entered into public employment and subsequently adjusted according to the laws governing each covered plan, as applicable.

(d) This section does not apply to any person whose final termination from the last public service under a covered plan was before May 1, 1975.

(e) For the purpose of computing annuities under this section~~, the accrual rates used by any covered plan, except the public employees police and fire plan, the judges retirement fund, and the State Patrol retirement plan, must not exceed 2.7 percent per year of service for any year of service or fraction thereof. The formula percentage used by~~:

(1) the judges retirement fund accrual rate must not exceed 3.2 percent per year of service for any year of service or fraction thereof~~. The accrual rate used by~~;

(2) the public employees police and fire plan and the State Patrol retirement plan accrual rate must not exceed 3.0 percent per year of service for any year of service or fraction thereof~~. The accrual rate or rates used by~~

(3) the legislators retirement plan accrual rate must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c); and

(4) any other covered plan's accrual rate must not exceed 2.7 percent per year of service for any year of service or fraction thereof.

(f) Any period of time for which a person has credit in more than one of the covered plans must be used only once for the purpose of determining total allowable service.

(g) If the period of duplicated service credit is more than one-half year, or the person has credit for more than one-half year, with each of the plans, each plan must apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all plans for the period.

(h) If the period of duplicated service credit is less than one-half year, or when added to other service credit with that plan is less than one-half year, the service credit must be ignored and a refund of contributions made to the person in accord with that plan's refund provisions.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. **[356.311] COVERAGE BY MORE THAN ONE PLAN.**

(a) Any person who has been a member of two or more of the retirement plans listed in paragraph (b) is entitled, when qualified, to an annuity from each fund if:

(i) the person's combined service in any two or more retirement plans equals or exceeds the vesting requirement of the fund with the longest vesting requirement, and

(ii) the person has not taken a refund from any of the retirement plans.

(b) This section applies to any defined benefit plan administered by the Minnesota State Retirement System, including the State Patrol Retirement Plan; the Public Employees Retirement Association, including the public employees police and fire plan, the Teachers Retirement Association, and the St. Paul Teachers Retirement Fund Association, except as noted in paragraph (c).

(c) This section does not apply to plans providing benefits for police officers or firefighters under section 424A.091 to 424A.096 or the Bloomington Fire Department Relief Association.

(d) No portion of the service upon which the retirement annuity from one retirement plan is based shall be again used in the computation of a retirement annuity from another plan. The annuity from each plan must be determined under the laws applicable to that plan except that the requirement that a person meet the vesting requirement in any particular plan shall not apply, provided the combined service in any two or more plans equals or exceeds the vesting requirement of the plan with the longest vesting requirement.

(e) Any deferred annuity payable under this section shall be subject to augmentation under the laws applicable to the deferred annuity.

(f) Any person to whom an annuity is not payable under this section because the person took a refund from one of the funds shall be entitled to repay the refund in accordance with the laws governing the refund. Upon repayment, the person is entitled to annuities under this section, if the person would otherwise be entitled.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. Minnesota Statutes 2016, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; ~~generally~~ Minnesota State Retirement System general state employees retirement plan, legislators retirement plan, and unclassified state employees retirement program.** (a) Except as ~~otherwise provided in subdivision 1a, 1b, 1c, 1d, 1e, or 1f~~ set forth in paragraph (c), recipients of a retirement annuity, disability benefit, or survivor benefit ~~recipients of a covered~~ from the general state employees retirement plan, the legislators retirement plan, or the unclassified state employees retirement program are entitled to ~~a~~ an annual postretirement adjustment ~~annually on~~, effective as of each January 1, as follows:

(1) effective January 1, 2018, through December 31, 2022, a postretirement increase of ~~2.5~~ one percent must be applied each year~~, effective January 1,~~ to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment;~~ and~~

(2) effective January 1, 2018, through December 31, 2022,for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of ~~2.5~~ one percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient;

(3) effective January 1, 2023, and thereafter, a postretirement increase of 1.5 percent must be applied each year to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(4) effective January 1, 2023, and thereafter, for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

(b) An increase in annuity or benefit payments under this ~~section~~ subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the covered retirement plan requesting that the increase not be made.

(c) Members who retire on or after January 1, 2018, under the general state employees retirement plan, the legislators retirement plan, or the unclassified state employees retirement program are entitled to an annual postretirement adjustment of the member's retirement annuity, effective as of each January 1, beginning with the year following the year in which the member attains normal retirement age, as follows:

(1) if a member has been receiving an annuity for at least 12 full months as of the June 30 of the calendar year immediately before the date of the adjustment, a postretirement increase of equal to the percentage specified in paragraph (a), clause (1) or (3), as applicable, must be applied, effective on January 1, to the member's monthly annuity;

(2) if a member has been receiving an annuity for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the date of adjustment, a postretirement increase of 1/12 of the percentage specified in clause (1) for each month that the member has been receiving an annuity must be applied, effective on January 1, to the member's monthly annuity; or

(3) if a member has been receiving an annuity for fewer than six months before the date of adjustment, a postretirement increase shall not be applied until the next January 1 and the amount of the adjustment shall be the amount determined under clause (2).

(d) Paragraph (c) does not apply to members who retire under section 352.116, subdivision 1, paragraph (c).

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. Minnesota Statutes 2016, section 356.415, subdivision 1a, is amended to read:

Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement System ~~plans other than State Patrol~~ correctional state employees retirement plan.** (a)

Retirement annuity, disability benefit, or survivor benefit recipients of the ~~legislators retirement plan, including constitutional officers as specified in chapter 3A, the general state employees retirement plan, the~~ correctional state employees retirement plan~~, and the unclassified state employees retirement program~~ are entitled to ~~a~~ an annual postretirement adjustment ~~annually on~~, effective as of each January 1, as follows:

(1) ~~for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan,~~ a postretirement increase of ~~two~~ 1.5 percent must be applied each year~~, effective on January 1,~~ to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) ~~for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan,~~ for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of ~~two~~ 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of each annuitant or benefit recipient.

~~(b) Increases under this subdivision for the general state employees retirement plan or the correctional state employees retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicate that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date. Increases under this subdivision for the legislators retirement plan established under chapter 3A, including the constitutional officers specified in that chapter, and for the unclassified state employees retirement program, terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicate that the market value of assets of the general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.~~

~~(c) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, for the general state employees retirement plan or the correctional state employees retirement plan, is again to be applied in a subsequent year or years if the market value of assets of the applicable plan equals or is less than:~~

~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or~~

~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.~~

~~(d) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, for the legislators retirement plan, including the constitutional officers, and for the unclassified state employees retirement program, is again to be applied in a subsequent year or years if the market value of assets of the general state employees retirement plan equals or is less than:~~

~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or~~

~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.~~

~~(e)~~ (b) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 8. Minnesota Statutes 2016, section 356.415, subdivision 1b, is amended to read:

Subd. 1b. **Annual postretirement adjustments; PERA; general employees retirement plan ~~and local government correctional retirement plan~~.** (a) Except as set forth in paragraph (c), recipients of a retirement annuity, disability benefit, or survivor benefit recipients of the general employees retirement plan of the Public Employees Retirement Association ~~and the local government correctional service retirement plan~~ are entitled to ~~a~~ an annual postretirement adjustment ~~annually on~~, effective as of each January 1, as follows:

(1) ~~for each successive January 1 until funding stability is restored for the applicable retirement plan,~~ a postretirement increase of one percent must be applied each year~~, effective on January 1,~~ to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment;

(2) ~~for each successive January 1 until funding stability is restored for the applicable retirement plan,~~ for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of one percent for each month the person has been receiving an annuity or benefit must be applied~~;~~ to the monthly annuity or benefit amount of each annuitant or benefit recipient.

~~(3) for each January 1 following the restoration of funding stability for the applicable retirement plan, a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and~~

~~(4) for each January 1 following restoration of funding stability for the applicable retirement plan, for each annuity or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied.~~

~~(b) Funding stability is restored when the market value of assets of the applicable retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the two most recent consecutive actuarial valuations prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Public Employees Retirement Association under section 356.214.~~

~~(c) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, is again to be applied in a subsequent year or years if the market value of assets of the applicable plan equals or is less than:~~

~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or~~

~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.~~

~~(d)~~ (b) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

(c) Members who retire on or after January 1, 2018, are entitled to an annual postretirement adjustment of the member's retirement annuity, effective as of each January 1, beginning with the year following the year in which the member attains normal retirement age, as follows:

(1) if a member has been receiving an annuity for at least 12 full months as of the June 30 of the calendar year immediately before the date of the adjustment, a postretirement increase of equal to the percentage specified in paragraph (a), clause (1), must be applied, effective on January 1, to the member's monthly annuity;

(2) if a member has been receiving an annuity for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the date of adjustment, a postretirement increase of 1/12 of the percentage specified in clause (1) for each month that the member has been receiving an annuity must be applied, effective on January 1 to the member's monthly annuity; or

(3) if a member has been receiving an annuity for fewer than six months before the date of adjustment, a postretirement increase shall not be applied until the next January 1 and the amount of the adjustment shall be the amount determined under clause (2).

(d) Paragraph (c) does not apply to members who retire under section 353.30, subdivision 1a.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 356.415, subdivision 1c, is amended to read:

Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to ~~a~~ an annual postretirement adjustment ~~annually on~~ , effective as of each January 1, ~~if the definition of funding stability under paragraph (c) has not been met,~~ as follows:

~~(1) for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or benefit for at least 12 full months as of the immediate preceding June 30, an amount equal to one percent in each year; or~~

~~(2) for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or benefit for at least one full month, but less than 12 months, as of the immediate preceding June 30, an amount equal to 1/12 of one percent for each month of annuity or benefit receipt; and~~

~~(3)~~ (1) for each annuitant or benefit recipient ~~whose annuity or benefit effective date is after June 1, 2014,~~ who will have been receiving an annuity or benefit for at least 36 full months as of the immediate preceding June 30, ~~an amount equal to~~ a postretirement increase of one percent must be applied each year to the monthly annuity or benefit amount of the annuity or benefit recipient; or

~~(4)~~ (2) for each annuitant or benefit recipient ~~whose annuity or benefit effective date is after June 1, 2014,~~ who has been receiving the annuity or benefit for at least 25 full months, but less than 36 months as of the immediate preceding June 30, ~~an amount equal to~~ a postretirement increase of 1/12 of one percent for each full month ~~of~~ that the person has been receiving an annuity or benefit ~~receipt~~ during the fiscal year in which the annuity or benefit was effective must be applied each year to the monthly annuity or benefit amount of the annuity or benefit recipient.

~~(b) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on each January 1 following the restoration of funding stability as defined under paragraph (c) and during the continuation of funding stability as defined under paragraph (c), as follows:~~

~~(1) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least 36 full months as of the immediate preceding June 30, an amount equal to 2.5 percent; and~~

~~(2) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least 25 full months, but less than 36 full months, as of the immediate preceding June 30, an amount equal to 1/12 of 2.5 percent for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective.~~

~~(c) Funding stability is restored when the market value of assets of the public employees police and fire retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the two most recent consecutive actuarial valuations prepared under~~

~~section 356.215 and under the standards for actuarial work of the Legislative Commission on Pensions and Retirement by the approved actuary retained by the Public Employees Retirement Association under section 356.214.~~

~~(d) After having met the definition of funding stability under paragraph (c), a full or prorated increase, as provided in paragraph (a), clause (1), (2), (3), or (4), whichever applies, rather than adjustments under paragraph (b), is again applied in a subsequent year or years if the market value of assets of the public employees police and fire retirement plan equals or is less than:~~

~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or~~

~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.~~

~~(e)~~ (b) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 356.415, subdivision 1d, is amended to read:

Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.** (a) Except as set forth in paragraph (d), recipients of a retirement annuity, disability benefit, or survivor benefit recipients of the Teachers Retirement Association are entitled to ~~a~~ an annual postretirement adjustment ~~annually on~~ , effective as of each January 1, as follows:

(1) ~~for each January 1 until funding stability is restored,~~ a postretirement increase of ~~two~~ one percent must be applied each year~~, effective on January 1,~~ to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment;

(2) ~~for each January 1 until funding stability is restored,~~ for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of ~~two~~ one percent for each month the person has been receiving an annuity or benefit must be applied;

~~(3) for each January 1 following the restoration of funding stability, a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and~~

~~(4) for each January 1 following the restoration of funding stability, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied.~~

~~(b) Funding stability is restored when the market value of assets of the Teachers Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities of the Teachers Retirement Association in the two most recent prior actuarial valuations prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Teachers Retirement Association under section 356.214.~~

~~(c) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, or the increase under paragraph (a), clauses (3) and (4), is again to be applied in a subsequent year or years if the market value of assets of the plan equals or is less than:~~

~~(1) 85 percent of the actuarial accrued liabilities of the plan for two consecutive actuarial valuations; or~~

~~(2) 80 percent of the actuarial accrued liabilities of the plan for the most recent actuarial valuation.~~

~~(d)~~ (b) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Teachers Retirement Association requesting that the increase not be made.

~~(e)~~ (c) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in section 354.35 must be treated as the sum of a period-certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period-certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62, 65, or normal retirement age, as selected by the member at retirement, for an annuity amount payable under section 354.35. A postretirement adjustment granted on the period-certain retirement annuity must terminate when the period-certain retirement annuity terminates.

(d) Members who retire on or after January 1, 2018, are entitled to an annual postretirement adjustment of the member's retirement annuity, effective as of each January 1, beginning with the year following the year in which the member attains normal retirement age, as follows:

(1) if a member has been receiving an annuity for at least 12 full months as of the June 30 of the calendar year immediately before the date of the adjustment, a postretirement increase of equal to the percentage specified in paragraph (a), clause (1), must be applied, effective on January 1 to the member's monthly annuity;

(2) if a member has been receiving an annuity for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the date of adjustment, a postretirement increase of 1/12 of the percentage specified in clause (1) for each month that the member has been receiving an annuity must be applied, effective on January 1, to the member's monthly annuity; or

(3) if a member has been receiving an annuity for fewer than six months before the date of adjustment, a postretirement increase shall not be applied until the next January 1 and the amount of the adjustment shall be the amount determined under clause (2).

(e) Paragraph (d) does not apply to members who retire under section 354.44, subdivision 6, paragraph (c), item (iii).

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 11. Minnesota Statutes 2016, section 356.415, subdivision 1e, is amended to read:

Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to ~~a~~ an annual postretirement adjustment ~~annually on~~, effective as of each January 1 ~~if the definition of funding stability under paragraph (b) has not been met~~, as follows:

(1) a postretirement increase of one percent must be applied each year~~, effective on January 1,~~ to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of one percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit of each annuitant or benefit recipient.

~~(b) Increases under paragraph (a) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations for the plan prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 85 percent of the actuarial accrued liability of the retirement plan. Thereafter, increases under paragraph (a) become effective again on the December 31 of the calendar year in which the actuarial valuation, or prior consecutive actuarial valuations for the plan prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of the assets of the retirement plan equals or is less than 80 percent of the actuarial accrued liability of the retirement plan for two years, or equals or is less than 75 percent of the actuarial accrued liability of the retirement plan for one year and increases under paragraph (c) commence after that date.~~

~~(c) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:~~

~~(1) a postretirement increase of 1.5 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and~~

~~(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied.~~

~~(d) Increases under paragraph (c) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement~~

~~indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.~~

~~(c)~~ (b) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 12. Minnesota Statutes 2016, section 356.415, subdivision 1f, is amended to read:

Subd. 1f. **Annual postretirement adjustments; Minnesota State Retirement System judges retirement plan.** ~~(a) The increases provided under this subdivision are in lieu of increases under subdivision 1 or 1a for retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan.~~

~~(b)~~ (a) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to ~~a~~ an annual postretirement adjustment ~~annually on~~ , effective as of each January 1~~,~~ if the definition of funding stability under paragraph (b) has not been met, as follows:

(1) a postretirement increase of 1.75 percent must be applied each year~~, effective on January 1,~~ to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 1.75 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit of each annuitant or benefit recipient.

~~(c)~~ (b) Increases under ~~this subdivision~~ paragraph (a) terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the judges retirement plan equals or exceeds 70 percent of the actuarial accrued liability of the retirement plan~~.~~ and increases under ~~subdivision 1 or 1a, whichever is applicable,~~ paragraph (c) begin ~~on the January 1 next following~~ after that date.

(c) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a postretirement adjustment annually, effective as of each January 1 if the definition of funding stability under paragraph (d) has not been met, as follows:

(1) a postretirement increase of two percent must be applied each year to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of two percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

(d) Increases under paragraph (c) terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under section 356.214 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicate that the market value of assets of the judges retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under paragraph (e) begin after that date.

(e) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a postretirement adjustment annually, effective as of each January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

~~(d)~~ (f) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 13. Minnesota Statutes 2016, section 356.415, is amended by adding a subdivision to read:

Subd. 1g. **Annual postretirement adjustments; PERA local government correctional retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees local government correctional service retirement plan are entitled to an annual postretirement adjustment, effective as of each January 1 as follows:

(1) a postretirement increase of 1.5 percent must be applied each year to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, a postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

(b) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 14. **STUDY.**

Before December 31, 2020, the Legislative Commission on Pensions and Retirement must conduct a study of the rates of the postretirement adjustments for the covered plans as defined in section 356.415, subdivision 2, and the St. Paul Teachers Retirement Fund Association, and make recommendations regarding whether they should be modified and whether a new methodology for determining postretirement adjustment should be adopted. The Legislative Commission on Pensions and Retirement shall make a determination based on the study during the 2021 legislative session.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 6

INTEREST RATE CONFORMING CHANGES

Section 1. Minnesota Statutes 2016, section 3A.03, subdivision 2, is amended to read:

Subd. 2. **Refund.** (a) A former member who has made contributions under subdivision 1 and who is no longer a member of the legislature is entitled to receive, upon written application to the executive director on a form prescribed by the executive director, a refund from the general fund of all contributions credited to the member's account with interest computed as provided in section 352.22, subdivision 2.

(b) The refund of contributions as provided in paragraph (a) terminates all rights of a former member of the legislature and the survivors of the former member under this chapter.

(c) If the former member of the legislature again becomes a member of the legislature after having taken a refund as provided in paragraph (a), the member is a member of the unclassified employees retirement program of the Minnesota State Retirement System.

(d) However, the member may reinstate the rights and credit for service previously forfeited under this chapter if the member repays all refunds taken, plus interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date on which the refund was taken to the date on which the refund is repaid.

(e) A member of the legislature who has received a refund from any of the retirement plans specified in section 356.311, paragraph (b), may repay the refund to the respective plan under such terms and conditions consistent with the law governing the retirement plan if the law governing the plan permits the repayment of refunds. If the total amount to be repaid, including principal and interest exceeds $2,000, repayment may be made in three equal installments over a period of 18 months, with the interest accrued during the period of the repayment added to the final installment.

~~(e)~~ (f) No person may be required to apply for or to accept a refund.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 352.01, subdivision 13a, is amended to read:

Subd. 13a. **Reduced salary during period of workers' compensation.** An employee on leave of absence receiving temporary workers' compensation payments and a reduced salary or no salary from the employer who is entitled to allowable service credit for the period of absence, may make payment to the fund for the difference between salary received, if any, and the salary the employee would normally receive if not on leave of absence during the period. The employee shall pay an amount equal to the employee and employer contribution rate under section 352.04, subdivisions 2 and 3, on the differential salary amount for the period of the leave of absence.

The employing department, at its option, may pay the employer amount on behalf of its employees. Payment made under this subdivision must include interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year~~ applicable annual rate or rates specified in section 356.59, subdivision 2, and must be completed within one year of the return from leave of absence.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 352.017, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in this chapter may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 352.04, subdivision 8, is amended to read:

Subd. 8. **Department required to pay omitted salary deductions.** (a) If a department fails to take deductions past due for a period of 60 days or less from an employee's salary as provided in this section, those deductions must be taken on later payroll abstracts.

(b) If a department fails to take deductions past due for a period in excess of 60 days from an employee's salary as provided in this section, the department, and not the employee, must pay on later payroll abstracts the employee and employer contributions and ~~an amount equivalent to 8.5 percent until June 30, 2015, and eight percent thereafter of the total amount due in lieu of interest, or if the delay in payment exceeds one year, 8.5 percent until June 30, 2015, and eight percent thereafter compound annual~~ interest at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date the employee and employer contributions should have been deducted to the date payment of the total amount due is paid by the department.

(c) If a department fails to take deductions past due for a period of 60 days or less and the employee is no longer in state service so that the required deductions cannot be taken from the salary of the employee, the department must nevertheless pay the required employer contributions. If any department fails to take deductions past due for a period in excess of 60 days and the employee is no longer in state service, the omitted contributions must be recovered under paragraph (b).

(d) If an employee from whose salary required deductions were past due for a period of 60 days or less leaves state service before the payment of the omitted deductions and subsequently returns to state service, the unpaid amount is considered the equivalent of a refund. The employee accrues no right by reason of the unpaid amount, except that the employee may pay the amount of omitted deductions as provided in section 352.23.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 352.04, subdivision 9, is amended to read:

Subd. 9. **Erroneous deductions, canceled warrants.** (a) Deductions taken from the salary of an employee for the retirement fund in excess of required amounts must, upon discovery and verification by the department making the deduction, be refunded to the employee.

(b) If a deduction for the retirement fund is taken from a salary warrant or check, and the check is canceled or the amount of the warrant or check returned to the funds of the department making the payment, the sum deducted, or the part of it required to adjust the deductions, must be refunded to the department or institution if the department applies for the refund on a form furnished by the director. The department's payments must likewise be refunded to the department.

(c) If erroneous employee deductions and employer contributions are caused by an error in plan coverage involving the plan and any other plans specified in section 356.99, that section applies. If the employee should have been covered by the plan governed by chapter 352D, 353D, 354B, or 354D, the employee deductions and employer contributions taken in error must be directly transferred to the applicable employee's account in the correct retirement plan, with interest at the ~~rate of 0.71 percent per month until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, compounded annually, from the first day of the month following the month in which coverage should have commenced in the correct defined contribution plan until the end of the month in which the transfer occurs.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. Minnesota Statutes 2016, section 352.23, is amended to read:

352.23 TERMINATION OF RIGHTS; REPAYMENT OF REFUND.

(a) When any employee accepts a refund as provided in section 352.22, all existing allowable service credits and all rights and benefits to which the employee was entitled before accepting the refund terminate.

(b) Terminated service credits and rights must not again be restored until the former employee acquires at least six months of allowable service credit after taking the last refund. In that event, the employee may repay all refunds previously taken from the retirement fund.

(c) Repayment of refunds entitles the employee only to credit for service covered by (1) salary deductions; (2) payments previously made in lieu of salary deductions as permitted under law in effect when the payment in lieu of deductions was made; (3) payments made to obtain credit for service as permitted by laws in effect when payment was made; and (4) allowable service previously credited while receiving temporary workers' compensation as provided in section 352.01, subdivision 11, paragraph (a), clause (3).

(d) Payments under this section for repayment of refunds are to be paid with interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date the refund was taken until the date the refund is repaid. They may be paid in a lump sum or by payroll deduction in the manner provided in section 352.04. Payment may be made in a lump sum up to six months after termination from service.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. Minnesota Statutes 2016, section 352.27, is amended to read:

352.27 CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED SERVICE.

(a) An employee who is absent from employment by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), and who returns to state service upon discharge from service in the uniformed service within the time frames required in United States Code, title 38, section 4312(e), may obtain service credit for the period of the uniformed service as further specified in this section, provided that the employee did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions.

(b) The employee may obtain credit by paying into the fund an equivalent employee contribution based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the employee would have received if the employee had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the employee's average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service.

(c) The equivalent employer contribution and, if applicable, the equivalent additional employer contribution provided in this chapter must be paid by the department employing the employee from funds available to the department at the time and in the manner provided in this chapter, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent employee contribution.

(d) If the employee equivalent contributions provided in this section are not paid in full, the employee's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total employee contribution received by the total employee contribution otherwise required under this section.

(e) To receive service credit under this section, the contributions specified in this section must be transmitted to the Minnesota State Retirement System during the period which begins with the date on which the individual returns to state service and which has a duration of three times the length of the uniformed service period, but not to exceed five years. If the determined payment period is less than one year, the contributions required under this section to receive service credit may be made within one year of the discharge date.

(f) The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312.

(g) The employing unit shall pay interest on all equivalent employee and employer contribution amounts payable under this section. Interest must be ~~computed at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 8. Minnesota Statutes 2016, section 352.955, subdivision 3, is amended to read:

Subd. 3. **Payment of additional equivalent contributions.** (a) An eligible employee who is transferred to plan coverage and who elects to transfer past service credit under this section must pay an additional member contribution for that prior service period. The additional member contribution is the amount computed under paragraph (b), plus the greater of the amount computed under paragraph (c), or 40 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(b) The executive director shall compute, for the most recent 12 months of service credit eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at the applicable monthly rate ~~of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ or rates specified in section 356.59, subdivision 2.

(c) The executive director shall compute, for any service credit being transferred on behalf of the eligible employee and not included under paragraph (b), the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~applicable monthly rate or rates specified in section 356.59, subdivision 2.

(d) The executive director shall compute an amount using the process specified in paragraph (b), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(e) The executive director shall compute an amount using the process specified in paragraph (c), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(f) The additional equivalent member contribution under this subdivision must be paid in a lump sum. Payment must accompany the election to transfer the prior service credit. No transfer election or additional equivalent member contribution payment may be made by a person or accepted by the executive director after the one year anniversary date of the effective date of the retirement coverage transfer, or the date on which the eligible employee terminates state employment, whichever is earlier.

(g) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under paragraph (a), the applicable department shall pay an additional equivalent employer contribution amount. The additional employer contribution is the amount computed under paragraph (d), plus the greater of the amount computed under paragraph (e), or 60 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(h) The unfunded actuarial accrued liability attributable to the past service credit transfer is the present value of the benefit obtained by the transfer of the service credit to the correctional state employees retirement plan reduced by the amount of the asset transfer under subdivision 4, by the amount of the member contribution equivalent payment computed under paragraph (b), and by the amount of the employer contribution equivalent payment computed under paragraph (d).

(i) The additional equivalent employer contribution under this subdivision must be paid in a lump sum and must be paid within 30 days of the date on which the executive director of the Minnesota State Retirement System certifies to the applicable department that the employee paid the additional equivalent member contribution.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 352B.013, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by the plan specified in this chapter may purchase credit for allowable service in the plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in section 352B.02 at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year from the date the employee returned to work following the authorized leave, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in section 352B.02 on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 352B.085, is amended to read:

352B.085 SERVICE CREDIT FOR CERTAIN DISABILITY LEAVES OF ABSENCE.

A member on leave of absence receiving temporary workers' compensation payments and a reduced salary or no salary from the employer who is entitled to allowable service credit for the period of absence under section 352B.011, subdivision 3, paragraph (b), may make payment to the fund for the difference between salary received, if any, and the salary that the member would normally receive if the member was not on leave of absence during the period. The member shall pay an amount equal to the member and employer contribution rate under section 352B.02, subdivisions 1b and 1c, on the differential salary amount for the period of the leave of absence. The employing department, at its option, may pay the employer amount on behalf of the member. Payment made under this subdivision must include interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year~~ applicable annual rate or rates specified in section 356.59, subdivision 2, and must be completed within one year of the member's return from the leave of absence.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 11. Minnesota Statutes 2016, section 352B.086, is amended to read:

352B.086 SERVICE CREDIT FOR UNIFORMED SERVICE.

(a) A member who is absent from employment by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), and who returns to state employment in a position covered by the plan upon discharge from service in the uniformed services within the time frame required in United States Code, title 38, section 4312(e), may obtain service credit for the period of the uniformed service, provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions.

(b) The member may obtain credit by paying into the fund an equivalent member contribution based on the member contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the member would have received if the member had continued to provide employment services to the state rather than to provide uniformed service, or if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate during the 12-month period of covered employment rendered immediately preceding the purchase period.

(c) The equivalent employer contribution and, if applicable, the equivalent employer additional contribution, must be paid by the employing unit, using the employer and employer additional contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution.

(d) If the member equivalent contributions provided for in this section are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this section.

(e) To receive allowable service credit under this section, the contributions specified in this section must be transmitted to the fund during the period which begins with the date on which the individual returns to state employment covered by the plan and which has a duration of three times the length of the uniformed service period, but not to exceed five years. If the determined payment period is calculated to be less than one year, the contributions required under this section to receive service credit must be transmitted to the fund within one year from the discharge date.

(f) The amount of allowable service credit obtainable under this section may not exceed five years, unless a longer purchase period is required under United States Code, title 38, section 4312.

(g) The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this section. Interest must be computed at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 12. Minnesota Statutes 2016, section 352B.11, subdivision 4, is amended to read:

Subd. 4. **Reentry into state service; refund repayment.** (a) When a former member, who has become separated from state service that entitled the member to membership and has received a refund of retirement payments, reenters the state service in a position that entitles the member to membership, that member shall receive credit for the period of prior allowable state service if the member repays into the fund the amount of the refund, plus interest ~~on it at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, at any time before subsequent retirement. Repayment may be made in installments or in a lump sum.

(b) A person who has received a refund from the State Patrol retirement fund who is a member of a public retirement system included in section 356.311 may repay the refund with interest to the State Patrol retirement fund as provided in paragraph (a).

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 13. Minnesota Statutes 2016, section 352D.05, subdivision 4, is amended to read:

Subd. 4. **Repayment of refund.** (a) A participant in the unclassified program may repay regular refunds taken under section 352.22, as provided in section 352.23.

(b) A participant in the unclassified program or an employee covered by the general employees retirement plan who has withdrawn the value of the total shares may repay the refund taken and thereupon restore the service credit, rights and benefits forfeited by paying into the fund the amount refunded plus interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date that the refund was taken until the date that the refund is repaid. If the participant had withdrawn only the employee shares as permitted under prior laws, repayment must be pro rata.

(c) Except as provided in section 356.441, the repayment of a refund under this section must be made in a lump sum.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 14. Minnesota Statutes 2016, section 352D.11, subdivision 2, is amended to read:

Subd. 2. **Payments by employee.** An employee entitled to purchase service credit may make the purchase by paying to the state retirement system an amount equal to the current employee contribution rate in effect for the state retirement system applied to the current or final salary rate multiplied by the months and days of prior temporary, intermittent, or contract legislative service. Payment shall be made in one lump sum unless the executive director of the state retirement system agrees to accept payment in installments over a period of not more than three years from the date of the agreement. Installment payments shall be charged interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ <u>applicable annual rate or rates specified in section 356.59, subdivision 2,</u> compounded annually.

<u>**EFFECTIVE DATE.** This section is effective July 1, 2017.</u>

Sec. 15. Minnesota Statutes 2016, section 352D.12, is amended to read:

352D.12 TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.

(a) An employee who is a participant in the unclassified program and who has prior service credit in a covered plan under chapter 352, 353, 354, 354A, or 422A may, within the time limits specified in this section, elect to transfer to the unclassified program prior service contributions to one or more of those plans.

(b) For participants with prior service credit in a plan governed by chapter 352, 353, 354, 354A, or 422A, "prior service contributions" means the accumulated employee and equal employer contributions with interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ <u>applicable annual rate or rates specified in section 356.59, subdivision 2,</u> compounded annually, based on fiscal year balances.

(c) If a participant has taken a refund from a retirement plan listed in this section, the participant may repay the refund to that plan, notwithstanding any restrictions on repayment to that plan, ~~plus 8.5 percent interest until June 30, 2015, and eight percent interest thereafter~~ <u>with interest at the applicable annual rate or rates specified in section 356.59, subdivision 2,</u> compounded annually<u>,</u> and have the accumulated employee and equal employer contributions transferred to the unclassified program with interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually based on fiscal year balances. If a person repays a refund and subsequently elects to have the money transferred to the unclassified program, the repayment amount, including interest, is added to the fiscal year balance in the year which the repayment was made.

(d) A participant electing to transfer prior service contributions credited to a retirement plan governed by chapter 352, 353, 354, 354A, or 422A as provided under this section must complete a written application for the transfer and repay any refund within one year of the commencement of the employee's participation in the unclassified program.

<u>**EFFECTIVE DATE.** This section is effective July 1, 2017.</u>

Sec. 16. Minnesota Statutes 2016, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under sections 353.27, subdivisions 12 and 12a, and 353.35;

(3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

(4) a period of authorized leave of absence during which the employee receives pay as specified in subdivision 10, paragraph (a), clause (4) or (5), from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized leave of absence without pay, or with pay that is not included in the definition of salary under subdivision 10, paragraph (a), clause (4) or (5), for which salary deductions are not authorized, and for which a member obtained service credit for up to 12 months of the authorized leave period by payment under section 353.0161 or 353.0162, to the fund made in place of salary deductions;

(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus ~~8.5 percent~~ interest ~~until June 30, 2015, and eight percent interest thereafter~~at the applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in

administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be

paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

(b) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes.

(c) For an active member who was an active member of the former Minneapolis Firefighters Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011. For an active member who was an active member of the former Minneapolis Police Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 17. Minnesota Statutes 2016, section 353.0161, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in subdivision 1 may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the member returned to work following the authorized leave, or within 30 days after the date of termination of public service if the member did not return to work, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period, or at termination of public service, whichever is earlier, multiplied by the employee's average monthly salary, excluding overtime, upon which deductions were paid during the six months, or portion thereof, before the commencement of the leave of absence and by the number of months of the leave of absence for which the employee wants allowable service credit. Payments made under this paragraph must include ~~compound~~ interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent~~ applicable rate or rates specified in section 356.59, subdivision 2, per month ~~thereafter~~ , compounded annually, from the last day of the leave period until the last day of the month in which payment is received.

(c) If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date the person terminates public service under section 353.01, subdivision 11a.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 18. Minnesota Statutes 2016, section 353.0162, is amended to read:

353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE.

(a) A member may purchase additional salary credit for a period specified in this section.

(b) The applicable period is a period during which the member is receiving a reduced salary from the employer while the member is:

(1) receiving temporary workers' compensation payments related to the member's service to the public employer;

(2) on an authorized leave of absence; or

(3) on an authorized partial paid leave of absence as a result of a budgetary or salary savings program offered or mandated by a governmental subdivision.

(c) The differential salary amount is the difference between the average monthly salary received by the member during the period of reduced salary under this section and the average monthly salary of the member, excluding overtime, on which contributions to the applicable plan were made during the period of the last six months of covered employment occurring immediately before the period of reduced salary, applied to the member's normal employment period, measured in hours or otherwise, as applicable.

(d) To receive eligible salary credit, the member shall pay an amount equal to:

(1) the applicable employee contribution rate under section 353.27, subdivision 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the differential salary amount;

(2) plus an employer equivalent payment equal to the applicable employer contribution rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03, subdivision 2, as applicable, multiplied by the differential salary amount;

(3) plus, if applicable, an equivalent employer additional amount equal to the additional employer contribution rate in section 353.27, subdivision 3a, multiplied by the differential salary amount.

(e) The employer, by appropriate action of its governing body and documented in its official records, may pay the employer equivalent contributions and, as applicable, the equivalent employer additional contributions on behalf of the member.

(f) Payment under this section must include interest on the contribution amount or amounts, whichever applies, at ~~an 8.5 percent annual rate until June 30, 2015, and at an eight percent annual rate thereafter~~ the applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, prorated for ~~applicable~~ the number of months, if less than 12, from the date on which the period of reduced salary specified under this section terminates to the date on which the payment or payments are received by the executive director. Payment under this section must be completed within the earlier of 30 days from termination of public service by the employee under section 353.01, subdivision 11a, or one year after the termination of the period specified in paragraph (b), as further restricted under this section.

(g) The period for which additional allowable salary credit may be purchased is limited to the period during which the person receives temporary workers' compensation payments or for those business years in which the governmental subdivision offers or mandates a budget or salary savings program, as certified to the executive director by a resolution of the governing body of the governmental subdivision. For an authorized leave of absence, the period for which allowable salary credit may be purchased may not exceed 12 months of authorized leave.

(h) To purchase salary credit for a subsequent period of temporary workers' compensation benefits or subsequent authorized medical leave of absence, the member must return to public service and render a minimum of three months of allowable service.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 19. Minnesota Statutes 2016, section 353.27, subdivision 3c, is amended to read:

Subd. 3c. **Former MERF members; member and employer contributions.** (a) For the period July 1, 2015, through December 31, 2031, the member contributions for former members of the Minneapolis Employees Retirement Fund and by the former Minneapolis Employees Retirement Fund-covered employing units are governed by this subdivision.

(b) The member contribution for a public employee who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of the employee.

(c) The employer regular contribution with respect to a public employee who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of the employee.

(d) For calendar years 2015 and 2016, the employer supplemental contribution is the employing unit's share of $31,000,000. For calendar years 2017 through 2031, the employer supplemental contribution is the employing unit's share of $21,000,000.

(e) Each employing unit's share under paragraph (d) is the amount determined from an allocation between each employing unit in the portion equal to the unit's employer supplemental contribution paid or payable under Minnesota Statutes 2012, section 353.50, during calendar year 2014.

(f) The employer supplemental contribution amount under paragraph (d) for calendar year 2015 must be invoiced by the executive director of the Public Employees Retirement Association by July 1, 2015. The calendar year 2015 payment is payable in a single amount on or before September 30, 2015. For subsequent calendar years, the employer supplemental contribution under paragraph (d) must be invoiced on January 31 of each year and is payable in two parts, with the first half payable on or before July 31 and with the second half payable on or before December 15. Late payments are payable with ~~compound~~ interest, compounded annually, at the ~~rate of 0.71 percent~~ applicable rate or rates specified in section 356.59, subdivision 3, per month for each month or portion of a month that has elapsed after the due date.

(g) The employer supplemental contribution under paragraph (d) terminates on December 31, 2031.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 20. Minnesota Statutes 2016, section 353.27, subdivision 7a, is amended to read:

Subd. 7a. **Deductions or contributions transmitted by error.** (a) If employee deductions and employer contributions under this section, section 353.50, 353.65, or 353E.03 were erroneously transmitted to the association, but should have been transmitted to a plan covered by chapter 352D, 353D, 354B, or 354D, the executive director shall transfer the erroneous employee deductions and employer contributions to the appropriate retirement fund or individual account, as applicable. The time limitations specified in subdivisions 7 and 12 do not apply. The transfer to the applicable defined contribution plan account must include interest at the ~~rate of 0.71 percent per month until June 30, 2015, and 0.667 percent~~ applicable rate or rates specified in section 356.59, subdivision 3, per month ~~thereafter~~, compounded annually, from the first day of the month following the month in which coverage should have commenced in the defined contribution plan until the end of the month in which the transfer occurs.

(b) A potential transfer under paragraph (a) that is reasonably determined to cause the plan to fail to be a qualified plan under section 401(a) of the federal Internal Revenue Code, as amended, must not be made by the executive director of the association. Within 30 days after being notified by the Public Employees Retirement Association of an unmade potential transfer under this paragraph, the employer of the affected person must transmit an amount representing the applicable salary deductions and employer contributions, without interest, to the retirement fund of the appropriate Minnesota public pension plan, or to the applicable individual account if the proper coverage is by a defined contribution plan. The association must provide the employing unit a credit for the amount of the erroneous salary deductions and employer contributions against future contributions from the employer. If the employing unit receives a credit under this paragraph, the employing unit is responsible for refunding to the applicable employee any amount that had been erroneously deducted from the person's salary.

(c) If erroneous employee deductions and employer contributions reflect a plan coverage error involving any Public Employees Retirement Association plan specified in section 356.99 and any other plan specified in that section, section 356.99 applies.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 21. Minnesota Statutes 2016, section 353.27, subdivision 12, is amended to read:

Subd. 12. **Omitted salary deductions; obligations.** (a) In the case of omission of required deductions for the general employees retirement plan, the public employees police and fire retirement plan, or the local government correctional employees retirement plan from the salary of an employee, the department head or designee shall immediately, upon discovery, report the employee for membership and deduct the employee deductions under subdivision 4 during the current pay period or during the pay period immediately following the discovery of the omission. Payment for the omitted obligations may only be made in accordance with reporting procedures and methods established by the executive director.

(b) When the entire omission period of an employee does not exceed 60 days, the governmental subdivision may report and submit payment of the omitted employee deductions and the omitted employer contributions through the reporting processes under subdivision 4.

(c) When the omission period of an employee exceeds 60 days, the governmental subdivision shall furnish to the association sufficient data and documentation upon which the obligation for omitted employee and employer contributions can be calculated. The omitted employee deductions must be deducted from the employee's subsequent salary payment or payments and remitted to the association for deposit in the applicable retirement fund. The employee shall pay omitted employee deductions due for the 60 days prior to the end of the last pay period in the omission period during which salary was earned. The employer shall pay any remaining omitted employee deductions and any omitted employer contributions, plus cumulative interest at the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually, from the date or dates each omitted employee contribution was first payable.

(d) An employer shall not hold an employee liable for omitted employee deductions beyond the pay period dates under paragraph (c), nor attempt to recover from the employee those employee deductions paid by the employer on behalf of the employee. Omitted deductions due under paragraph (c) which are not paid by the employee constitute a liability of the employer that failed to deduct the omitted deductions from the employee's salary. The employer shall make payment with interest at the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ <u>applicable rate or rates specified in section 356.59, subdivision 3,</u> compounded annually. Omitted employee deductions are no longer due if an employee terminates public service before making payment of omitted employee deductions to the association, but the employer remains liable to pay omitted employer contributions plus interest at the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~

applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, from the date the contributions were first payable.

(e) The association may not commence action for the recovery of omitted employee deductions and employer contributions after the expiration of three calendar years after the calendar year in which the contributions and deductions were omitted. Except as provided under paragraph (b), no payment may be made or accepted unless the association has already commenced action for recovery of omitted deductions. An action for recovery commences on the date of the mailing of any written correspondence from the association requesting information from the governmental subdivision upon which to determine whether or not omitted deductions occurred.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 22. Minnesota Statutes 2016, section 353.27, subdivision 12a, is amended to read:

Subd. 12a. **Terminated employees: omitted deductions.** A terminated employee who was a member of the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, or the local government correctional employees retirement plan and who has a period of employment in which previously omitted employer contributions were made under subdivision 12 but for whom no, or only partial, omitted employee contributions have been made, or a member who had prior coverage in the association for which previously omitted employer contributions were made under subdivision 12 but who terminated service before required omitted employee deductions could be withheld from salary, may pay the omitted employee deductions for the period on which omitted employer contributions were previously paid plus interest at the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually. A terminated employee may pay the omitted employee deductions plus interest within six months of an initial notification from the association of eligibility to pay those omitted deductions. If a terminated employee is reemployed in a position covered under a public pension fund under section 356.30, subdivision 3, and elects to pay omitted employee deductions, payment must be made no later than six months after a subsequent termination of public service.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 23. Minnesota Statutes 2016, section 353.27, subdivision 12b, is amended to read:

Subd. 12b. **Terminated employees: immediate eligibility.** If deductions were omitted from salary adjustments or final salary of a terminated employee who was a member of the general employees retirement plan, the public employees police and fire retirement plan, or the local government correctional employees retirement plan and who is immediately eligible to draw a monthly benefit, the employer shall pay the omitted employer and employer additional contributions plus interest on both the employer and employee amounts due at ~~an annual rate of 8.5 percent~~ the applicable rate or rates specified in section 356.59, subdivision 3, compounded annually. The employee shall pay the employee deductions within six months of an initial notification from the association of eligibility to pay omitted deductions or the employee forfeits the right to make the payment.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 24. Minnesota Statutes 2016, section 353.28, subdivision 5, is amended to read:

Subd. 5. **Interest chargeable on amounts due.** Any amount due under this section or section 353.27, subdivision 4, is payable with interest at the ~~annual compound rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually, from the date due until the date payment is received by the association, with a minimum interest charge of $10.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 25. Minnesota Statutes 2016, section 353.35, subdivision 1, is amended to read:

Subdivision 1. **Refund rights.** (a) Except as provided in paragraph (b), when any former member accepts a refund, all existing service credits and all rights and benefits to which the person was entitled prior to the acceptance of the refund must terminate.

(b) A refund under section 353.651, subdivision 3, paragraph (c), does not result in a forfeiture of salary credit for the allowable service credit covered by the refund.

(c) The rights and benefits of a former member must not be restored until the person returns to active service and acquires at least six months of allowable service credit after taking the last refund and repays the refund or refunds taken and interest received under section 353.34, subdivisions 1 and 2, plus interest at the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable rate or rates specified in section 356.59, subdivision 3, compounded annually. If the person elects to restore service credit in a particular fund from which the person has taken more than one refund, the person must repay all refunds to that fund. All refunds must be repaid within six months of the last date of termination of public service.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 26. Minnesota Statutes 2016, section 354.50, subdivision 2, is amended to read:

Subd. 2. **Interest charge.** If a member desires to repay the refunds, payment shall include interest at ~~an annual rate of 8.5 percent~~ the applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually, from date of withdrawal to the date payment is made and shall be credited to the fund.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 27. Minnesota Statutes 2016, section 354.51, subdivision 5, is amended to read:

Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the event that full required member contributions are not deducted from the salary of a teacher, payment of shortages in member deductions on salary earned are the sole obligation of the employing unit and are payable by the employing unit upon notification by the executive director of the shortage. The amount of the shortage shall be paid with interest at ~~an annual rate of 8.5 percent~~ the applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually, from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest must be credited to the fund. The employing unit shall also pay the employer contributions as specified in section 354.42, subdivisions 3 and 5 for the shortages. If the shortage payment is not paid by the employing unit within 60 days of notification, and if the executive director does not use the recovery procedure in section 354.512, the executive director shall certify the amount of the shortage to the applicable county auditor, who shall spread a levy in the amount of the shortage payment over the taxable property of the taxing district of the employing unit if the employing unit is supported by property taxes. Payment may not be made for shortages in member deductions on salary paid or payable under paragraph (b) or for shortages in member deductions for persons employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution that exceeds the most recent 36 months.

(b) For a person who is employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution, upon the person's election under section 354B.21 of retirement coverage under this chapter, the shortage in member deductions on the salary for employment by the Minnesota State Colleges and Universities system institution of less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution for the most recent 36 months and the associated employer contributions must be paid by the Minnesota State Colleges and Universities system institution, plus ~~annual compound~~ interest at the ~~rate of 8.5 percent~~ applicable annual rate or rates specified in section 356.589, subdivision 4, compounded annually, from the end of the fiscal year in which the shortage occurred to the end of the month in which the Teachers Retirement Association coverage election is made. An individual electing coverage under this paragraph shall repay the amount of the shortage in member deductions, plus interest, through deduction from salary or compensation payments within the first year of employment after the election under section 354B.21, subject to the limitations in section 16D.16. The Minnesota State Colleges and Universities system may use any means available to recover amounts which were not recovered through deductions from salary or compensation payments. No payment of the shortage in member deductions under this paragraph may be made for a period longer than the most recent 36 months.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 28. Minnesota Statutes 2016, section 354.52, subdivision 4, is amended to read:

Subd. 4. **Reporting and remittance requirements.** An employer shall remit all amounts due to the association and furnish a statement indicating the amount due and transmitted with any other information required by the executive director. If an amount due is not received by the association within 14 calendar days of the payroll warrant, the ~~amount accrues interest at an annual rate of 8.5 percent~~ employer shall pay interest on the amount due at the applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually, from the due date until the amount is received by the association. All amounts due and other employer obligations not remitted within 60 days of notification by the association must be certified to the commissioner of management and budget who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 29. Minnesota Statutes 2016, section 354.53, subdivision 5, is amended to read:

Subd. 5. **Interest requirements.** The employer shall pay interest on all equivalent employee and employer contribution amounts payable under this section~~. Interest must be computed at a rate of 8.5 percent~~ at the applicable annual rate or rates specified in section 356.59, subdivision 4, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 30. Minnesota Statutes 2016, section 354A.093, subdivision 6, is amended to read:

Subd. 6. **Interest requirements.** The employer shall pay interest on all equivalent employee and employer contribution amounts payable under this section. Interest must be computed at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 5, compounded annually, from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 31. Minnesota Statutes 2016, section 354A.096, is amended to read:

354A.096 MEDICAL LEAVE.

Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund Association who is on an authorized medical leave of absence and subsequently returns to teaching service is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section 354A.12, subdivisions 1 and 2a, as applied to the member's average full-time monthly salary rate on the date the leave of absence commenced plus ~~annual~~ interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year~~ applicable annual rate or rates specified in section 356.59, subdivision 5, compounded annually, from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made. The member must pay the total amount required unless the employing unit, at its option, pays the employer contributions. The total amount required must be paid by the end of the fiscal year following the fiscal year in which the leave of absence terminated or before the member retires, whichever is earlier. Payment must be accompanied by a copy of the resolution or action of the employing authority granting the leave and the employing authority, upon granting the leave, must certify the leave to the association in a manner specified by the executive director. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354A.36 and receive allowable service credit under this section for the same period of time.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 32. Minnesota Statutes 2016, section 354A.12, subdivision 1a, is amended to read:

Subd. 1a. **Obligation for omitted salary deductions.** If the full required contributions are not deducted from the salary of a teacher, payment of the shortage in such deductions is the sole obligation of the employing unit during the three-year period following the end of the fiscal year in which the shortage occurred. The shortage is payable by the employing unit upon notification of the shortage by the executive director of the applicable retirement fund association. The employing unit shall also pay any employer contributions related to the shortage. The amount of the shortage in employee contributions and associated employer contributions is payable with interest at the ~~preretirement interest assumption for the retirement fund as specified in section 356.215, subdivision 8, stated as a monthly rate~~ applicable annual rate or rates specified in section 356.59, subdivision 5, from the date due until the date payment is received in the office of the association, compounded annually, with a minimum interest charge of $10. If the shortage payment and interest is not paid by the employing unit within 60 days of notification, the executive director shall certify the amount of the shortage payment and interest to the commissioner of management and budget, who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 33. Minnesota Statutes 2016, section 354A.12, subdivision 7, is amended to read:

Subd. 7. **Recovery of benefit overpayments.** (a) If the executive director discovers, within the time period specified in subdivision 8 following the payment of a refund or the accrual date of any retirement annuity, survivor benefit, or disability benefit, that benefit overpayment has occurred due to using invalid service or salary, or due to any erroneous calculation procedure, the executive director must recalculate the annuity or benefit payable and recover any overpayment. The executive director shall recover the overpayment by requiring direct repayment or by suspending or reducing the payment of a retirement annuity or other benefit payable under this chapter to the applicable person or the person's estate, whichever applies, until all outstanding amounts have been recovered. If a benefit overpayment or improper payment of benefits occurred caused by a failure of the person to satisfy length of separation requirements for retirement under section 354A.011, subdivision 21, the executive director shall recover the improper payments by requiring direct repayment. The repayment must include interest at the ~~rate of 0.71 percent per month~~ applicable annual rate or rates specified in section 356.59, subdivision 5, from the first of the month in which a monthly benefit amount was paid to the first of the month in which the amount is repaid, with annual compounding.

(b) In the event the executive director determines that an overpaid annuity or benefit that is the result of invalid salary included in the average salary used to calculate the payment amount must be recovered, the executive director must determine the amount of the employee deductions taken in error on the invalid salary, with interest as determined under 354A.37, subdivision 3, and must subtract that amount from the total annuity or benefit overpayment, and the remaining balance of the overpaid annuity or benefit, if any, must be recovered.

(c) If the invalid employee deductions plus interest exceed the amount of the overpaid benefits, the balance must be refunded to the person to whom the benefit or annuity is being paid.

(d) Any invalid employer contributions reported on the invalid salary must be credited against future contributions payable by the employer.

(e) If a member or former member, who is receiving a retirement annuity or disability benefit for which an overpayment is being recovered, dies before recovery of the overpayment is completed and an optional annuity or refund is payable, the remaining balance of the overpaid annuity or benefit must continue to be recovered from the payment to the optional annuity beneficiary or refund recipient.

(f) The board of trustees shall adopt policies directing the period of time and manner for the collection of any overpaid retirement or optional annuity, and survivor or disability benefit, or a refund that the executive director determines must be recovered as provided under this section.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 34. Minnesota Statutes 2016, section 354A.34, is amended to read:

354A.34 DISPOSITION OF UNPAID PERIOD CERTAIN FOR LIFE OR GUARANTEED REFUND OPTIONAL ANNUITIES.

If a retiree from a coordinated program who has elected a period certain and for life thereafter or a guaranteed refund optional annuity form dies without having a designated beneficiary who has survived the retiree, any remaining unpaid guaranteed annuity payments shall be computed at the rate of interest specified in section 356.215, subdivision 8, and paid in one lump sum to the estate of the retiree. If a retiree from a coordinated program who has elected a period certain and for life or a guaranteed refund optional annuity form dies with a designated beneficiary who has survived the retiree but the designated beneficiary dies without there existing another designated beneficiary, any remaining unpaid guaranteed annuity payments shall be computed ~~at the rate of~~ with interest at the applicable annual rate or rates specified in section ~~356.215, subdivision 8~~ 356.59, subdivision 5, and paid in one lump sum to the estate of the designated beneficiary.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 35. Minnesota Statutes 2016, section 354A.38, subdivision 3, is amended to read:

Subd. 3. **Computation of refund repayment amount.** If the coordinated member elects to repay a refund under subdivision 2, the repayment to the fund must be in an amount equal to refunds the member has accepted plus interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 5, compounded annually, from the date that the refund was accepted to the date that the refund is repaid.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 36. Minnesota Statutes 2016, section 356.195, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure for strike periods.** (a) An employee covered by a plan specified in subdivision 1 may purchase allowable service credit in the applicable plan for any period of time during which the employee was on a public employee strike without pay, not to exceed a period of one year, if the employee makes a payment in lieu of salary deductions as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the applicable pension plan executive director within one year from the end of the strike, the payment amount is equal to the applicable employee and employer contribution rates specified in law for the applicable plan during the strike period, applied to the employee's rate of salary in effect at the conclusion of the strike for the period of the strike without pay, plus compound interest at the ~~monthly rate of 0.71 percent for any period for the Teachers Retirement Association and at the monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent thereafter for any other retirement plan listed in section 356.30, subdivision 3~~ applicable monthly rate or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, from the last day of the strike period until the date payment is received.

(c) If payment is received by the applicable pension fund director after one year and before five years from the end of the strike, the payment amount is the amount determined under section 356.551.

(d) Payments may not be made more than five years after the end of the strike.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 37. Minnesota Statutes 2016, section 356.44, is amended to read:

356.44 PARTIAL PAYMENT OF PENSION PLAN REFUND.

(a) Notwithstanding any provision of law to the contrary, a member of a pension plan listed in section 356.30, subdivision 3, with at least two years of forfeited service taken from a single pension plan, may repay a portion of all refunds. A partial refund repayment must comply with this section.

(b) The minimum portion of a refund repayment is one-third of the total service credit period of all refunds taken from a single plan.

(c) The cost of the partial refund repayment is the product of the cost of the total repayment multiplied by the ratio of the restored service credit to the total forfeited service credit. The total repayment amount includes interest at the ~~annual rate of 8.5 percent for any period for the Teachers Retirement Association and is 8.5 percent until June 30, 2015, and eight percent thereafter for any other retirement plan listed in section 356.30, subdivision 3~~ at the applicable annual rate or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, compounded annually, from the refund date to the date repayment is received.

(d) The restored service credit must be allocated based on the relationship the restored service bears to the total service credit period for all refunds taken from a single pension plan.

(e) This section does not authorize a public pension plan member to repay a refund if the law governing the plan does not authorize the repayment of a refund of member contributions.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 38. Minnesota Statutes 2016, section 356.50, subdivision 2, is amended to read:

Subd. 2. **Service credit procedure.** (a) To obtain the public pension plan allowable service credit, the eligible person under subdivision 1 shall pay the required member contribution amount. The required member contribution amount is the member contribution rate or rates in effect for the pension plan during the period of service covered by the back pay award, applied to the unpaid gross salary amounts of the back pay award including unemployment insurance, workers' compensation, or wages from other sources which reduced the back award. No contributions may be made under this clause for compensation covered by a public pension plan listed in section 356.30, subdivision 3, for employment during the removal period. The person shall pay the required member contribution amount within 60 days of the date of receipt of the back pay award or within 60 days of a billing from the retirement fund, whichever is later.

(b) The public employer who wrongfully discharged the public employee must pay an employer contribution on the back pay award. The employer contribution must be based on the employer contribution rate or rates in effect for the pension plan during the period of service covered by the back pay award, applied to the salary amount on which the member contribution amount was determined under paragraph (a). ~~Interest on both the required member and employer contribution amount must be paid by the employer at the annual compound rate of 8.5 percent for any period for the Teachers Retirement Association and 8.5 percent until June 30, 2015, and eight percent thereafter, for any other retirement plan listed in section 356.30, subdivision 3, per year, expressed monthly~~ The employer must pay compound interest on both the required member and employer contribution amounts at the applicable monthly rate or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, between the date the contribution amount would have been paid to the date of actual payment. The employer payment must be made within 30 days of the payment under paragraph (a).

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 39. Minnesota Statutes 2016, section 356.551, subdivision 2, is amended to read:

Subd. 2. **Determination.** (a) Unless the minimum purchase amount set forth in paragraph (c) applies, the prior service credit purchase amount is an amount equal to the actuarial present value, on the date of payment, as calculated by the chief administrative officer of the pension plan and reviewed by the actuary retained under section 356.214, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section.

(b) Calculation of this amount must be made using the preretirement interest rate applicable to the public pension plan specified in section 356.215, subdivision 8, and the mortality table adopted for the public pension plan. The calculation must assume continuous future service in the public pension plan until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including section 356.30, are met with the additional service credit purchased. The calculation must also assume a full-time equivalent salary, or actual salary, whichever is greater, and a future salary history that includes annual salary increases at the applicable salary increase rate for the plan specified in section 356.215, subdivision ~~4d~~ 8.

(c) The prior service credit purchase amount may not be less than the amount determined by applying, for each year or fraction of a year being purchased, the sum of the employee contribution rate, the employer contribution rate, and the additional employer contribution rate, if any, applicable during that period, to the person's annual salary during that period, or fractional portion of a year's salary, if applicable, plus interest at the ~~annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, compounded annually, from the end of the year in which contributions would otherwise have been made to the date on which the payment is received.

(d) Unless otherwise provided by statutes governing a specific plan, payment must be made in one lump sum within one year of the prior service credit authorization or prior to the member's effective date of retirement, whichever is earlier. Payment of the amount calculated under this section must be made by the applicable eligible person.

(e) However, the current employer or the prior employer may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the applicable annual rate ~~of 8.5 percent a year~~ or rates specified in section 356.59, subdivisions 2, 3, 4, or 5, whichever applies, compounded annually, from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this subdivision, the purchaser must make the employee payments required under this subdivision within 90 days of the prior service credit authorization. If that employee payment is made, the employer payment under this subdivision must be remitted to the chief administrative officer of the public pension plan within 60 days of receipt by the chief administrative officer of the employee payments specified under this subdivision.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 40. **[356.59] INTEREST RATES.**

Subdivision 1. **Applicable interest rates.** Whenever the payment of interest is required with respect to any payment, including refunds, remittances, shortages, contributions, or repayments, the rate of interest is the rate or rates specified in subdivisions 2 to 5 for each public retirement plan.

Subd. 2. **Minnesota State Retirement System.** The interest rates for all retirement plans administered by the Minnesota State Retirement System are as follows:

	Annual	Monthly
before July 1, 2015	8.5 percent	0.71 percent
from July 1, 2015, to June 30, 2017	8.0 percent	0.667 percent
after June 30, 2017	7.5 percent	0.625 percent

Subd. 3. **Public Employees Retirement Association.** The interest rates for all retirement plans administered by the Public Employees Retirement Association are as follows:

before July 1, 2015	8.5 percent
from July 1, 2015, to June 30, 2017	8.0 percent
after June 30, 2017	7.5 percent

Subd. 4. **Teachers Retirement Association.** The interest rates for the retirement plan administered by the Teachers Retirement Association are as follows:

	Annual	Monthly
before July 1, 2017	8.5 percent	0.71 percent
after June 30, 2017	7.5 percent	0.625 percent

Subd. 5. **St. Paul Teachers Retirement Fund Association.** The interest rates for the retirement plan administered by the St. Paul Teachers Retirement Fund Association are as follows:

	Annual	Monthly
before July 1, 2015	8.5 percent	0.71 percent
from July 1, 2015, to June 30, 2017	8.0 percent	0.667 percent
after June 30, 2017	7.5 percent	0.625 percent

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 41. Minnesota Statutes 2016, section 490.121, subdivision 4, is amended to read:

Subd. 4. **Allowable service.** (a) "Allowable service" means any calendar month, subject to the service credit limit in subdivision 22, served as a judge at any time, during which the judge received compensation for that service from the state, municipality, or county, whichever applies, and for which the judge made any required member contribution. It also includes any month served as a referee in probate for all referees in probate who were in office before January 1, 1974.

(b) "Allowable service" also means a period of authorized leave of absence for which the judge has made a payment in lieu of contributions, not in an amount in excess of the service credit limit under subdivision 22. To obtain the service credit, the judge shall pay an amount equal to the normal cost of the judges retirement plan on the date of return from the leave of absence, as determined in the most recent actuarial report for the plan filed with the Legislative Commission on Pensions and Retirement, multiplied by the judge's average monthly salary rate during the authorized leave of absence and multiplied by the number of months of the authorized leave of absence, plus ~~annual compound interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ interest at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date of the termination of the leave to the date on which payment is made. The payment must be made within one year of the date on which the authorized leave of absence terminated. Service credit for an authorized leave of absence is in addition to a uniformed service leave under section 490.1211.

(c) "Allowable service" does not mean service as a retired judge.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 42. Minnesota Statutes 2016, section 490.1211, is amended to read:

490.1211 UNIFORMED SERVICE.

(a) A judge who is absent from employment by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), and who returns to state employment as a judge upon discharge from service in the uniformed service within the time frame required in United States Code, title 38, section 4312(e), may obtain service credit for the period of the uniformed service, provided that the judge did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions.

(b) The judge may obtain credit by paying into the fund equivalent member contribution based on the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the judge would have received if the judge had continued to provide employment services to the state rather than to provide uniformed service, or if the determination of that rate is not reasonably certain, the annual salary rate is the judge's average salary rate during the 12-month period of judicial employment rendered immediately preceding the purchase period.

(c) The equivalent employer contribution and, if applicable, the equivalent employer additional contribution, must be paid by the employing unit, using the employer and employer additional contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution.

(d) If the member equivalent contributions provided for in this section are not paid in full, the judge's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this section.

(e) To receive allowable service credit under this section, the contributions specified in this section and section 490.121 must be transmitted to the fund during the period which begins with the date on which the individual returns to judicial employment and which has a duration of three times the length of the uniformed service period, but not to exceed five years. If the determined payment period is calculated to be less than one year, the contributions required under this section to receive service credit may be within one year from the discharge date.

(f) The amount of allowable service credit obtainable under this section and section 490.121 may not exceed five years, unless a longer purchase period is required under United States Code, title 38, section 4312.

(g) The state court administrator shall pay interest on all equivalent member and employer contribution amounts payable under this section. Interest must be ~~computed at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 43. Minnesota Statutes 2016, section 490.124, subdivision 12, is amended to read:

Subd. 12. **Refund.** (a) A person who ceases to be a judge is entitled to a refund in an amount that is equal to all of the member's employee contributions to the judges' retirement fund plus interest computed under section 352.22, subdivision 2.

(b) A refund of contributions under paragraph (a) terminates all service credits and all rights and benefits of the judge and the judge's survivors under this chapter.

(c) A person who becomes a judge again after taking a refund under paragraph (a) may reinstate the previously terminated allowable service credit, rights, and benefits by repaying the total amount of the previously received refund. The refund repayment must include interest ~~on the total amount previously received at the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date on which the refund was received until the date on which the refund is repaid.

EFFECTIVE DATE. This section is effective July 1, 2017.

ARTICLE 7

CONTRIBUTION RATES

Section 1. Minnesota Statutes 2016, section 352.04, subdivision 2, is amended to read:

Subd. 2. **Employee contributions.** (a) The employee contribution to the fund must be equal to the following percent of salary:

~~from July 1, 2010, to June 30, 2014~~	~~5~~
from July 1, 2014, ~~and thereafter~~ to June 30, 2017	5.5
from July 1, 2017, to June 30, 2018	5.75
after June 30, 2018	6

(b) These contributions must be made by deduction from salary as provided in subdivision 4.

(c) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 352.04, subdivision 3, is amended to read:

Subd. 3. **Employer contributions.** (a) The employer contribution to the fund must be equal to the following percent of salary:

~~from July 1, 2010, to June 30, 2014~~	~~5~~
from July 1, 2014, ~~and thereafter~~ to June 30, 2017	5.5
from July 1, 2017, to June 30, 2018	5.875
after June 30, 2018	6.25

(b) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 352.92, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) Employee contributions of covered correctional employees must be in an amount equal to the following percent of salary:

~~from July 1, 2010, to June 30, 2014~~	~~8.6~~
from July 1, 2014, ~~and thereafter~~ to June 30, 2017	9.1
after June 30, 2017	9.6

(b) These contributions must be made by deduction from salary as provided in section 352.04, subdivision 4.

(c) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 352.92, subdivision 2, is amended to read:

Subd. 2. **Employer contributions.** (a) The employer shall contribute for covered correctional employees an amount equal to the following percent of salary:

~~from July 1, 2010, to June 30, 2014~~	~~12.1~~
from July 1, 2014, ~~and thereafter~~ to June 30, 2017	12.85
after June 30, 2017	14.4

(b) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 352.92, is amended by adding a subdivision to read:

Subd. 2a. **Supplemental employer contribution.** (a) Effective July 1, 2018, the employer shall pay a supplemental contribution. The supplemental contribution shall be 1.45 percent of salary for covered correctional employees from July 1, 2018, through June 30, 2019; 2.95 percent of salary for covered correctional employees from July 1, 2019, through June 30, 2020; and 4.45 percent of salary for covered correctional employees thereafter. The supplemental contribution rate of 4.45 percent shall remain in effect until the market value of the assets of the correctional state employees retirement plan of the Minnesota State Retirement System equals or exceeds the actuarial accrued liability of the plan as determined by the actuary retained under section 356.214. The expiration of the supplemental employer contribution is effective the first day of the first full pay period of the fiscal year immediately following the issuance of the actuarial valuation upon which the expiration is based.

(b) The supplemental contribution under paragraph (a) must be paid starting the first day of the first full pay period after the effective date.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. Minnesota Statutes 2016, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. **Member contributions.** (a) The member contribution is the following percentage of the member's salary:

~~(1) before the first day of the first pay period beginning after July 1, 2014~~	~~12.4 percent~~
~~(2) on or after the first day of the first pay period beginning after~~ from July 1, 2014, to June 30, 2016	13.4 ~~percent~~
~~(3) after June 30, 2016~~ from July 1, 2016, to June 30, 2017	14.4 ~~percent~~
from July 1, 2017, to June 30, 2019	14.9
after June 30, 2019	15.4

(b) These contributions must be made by deduction from salary as provided in section 352.04, subdivision 4.

(c) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. Minnesota Statutes 2016, section 352B.02, subdivision 1c, is amended to read:

Subd. 1c. **Employer contributions and supplemental employer contribution.** (a) In addition to member contributions, department heads shall pay a sum equal to the specified percentage of the salary upon which deductions were made, which constitutes the employer contribution to the fund as follows:

~~(1) before the first day of the first pay period beginning after July 1, 2014~~	~~18.6 percent~~
~~(2) on or after the first day of the first pay period beginning after~~ from July 1, 2014, to June 30, 2016	20.1 ~~percent~~
~~(3) after June 30, 2016~~ from July 1, 2016, to June 30, 2017	21.6 ~~percent~~
from July 1, 2017, to June 30, 2018	22.35
after June 30, 2018	23.1

(b) Department contributions must be paid out of money appropriated to departments for this purpose.

(c) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

(d) Effective July 1, 2017, department heads shall pay a supplemental employer contribution. The supplemental contribution shall be 1.75 percent of the salary upon which deductions are made from July 1, 2017, through June 30, 2018; three percent of the salary upon which deductions are made from July 1, 2018, through June 30, 2019; five percent of the salary which deductions are made from July 1, 2019, through June 30, 2020; and seven percent of the salary upon which deductions are made thereafter. The supplemental contribution must be paid starting the first day of the first full pay period after the effective date. The supplemental contribution rate of seven percent shall remain in effect until the market value of the assets of the State Patrol retirement plan of the Minnesota State Retirement System equals or exceeds the actuarial accrued liability of the plan as determined by the actuary retained under section 356.214. The expiration of the supplemental employer contribution is effective the first day of the first full pay period of the fiscal year immediately following the issuance of the actuarial valuation upon which the expiration is based.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 8. Minnesota Statutes 2016, section 352D.04, subdivision 2, is amended to read:

Subd. 2. **Contribution rates.** (a) The money used to purchase shares under this section is the employee and employer contributions provided in this subdivision.

(b) The employee contribution is an amount equal to ~~the~~ 5.5 percent of salary ~~specified in section 352.04, subdivision 2, or 352.045, subdivision 3a~~.

(c) The employer contribution is an amount equal to six percent of salary.

(d) For members of the legislature, the contributions under this subdivision also must be made on per diem payments received during a regular or special legislative session, but may not be made on per diem payments received outside of a regular or special legislative session, on the additional compensation attributable to a leadership position under section 3.099, subdivision 3, living expense payments under section 3.101, or special session living expense payments under section 3.103.

(e) For a judge who is a member of the unclassified plan under section 352D.02, subdivision 1, paragraph (c), clause (16), the employee contribution rate is eight percent of salary, and there is no employer contribution.

(f) These contributions must be made in the manner provided in section 352.04, subdivisions 4, 5, and 6.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 353.65, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For members other than members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, or for members other than members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employee contribution is an amount equal to the following percentage of the total salary of each member, as follows: ~~9.6 percent before calendar year 2014; 10.2 percent in calendar year 2014; and 10.8 percent in calendar year 2015 and thereafter.~~

before January 1, 2018	10.8 percent
from January 1, 2018, through December 31, 2018	11.3 percent
from January 1, 2019, and thereafter	11.8 percent

(b) For members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10a, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Firefighters Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

(c) For members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Police Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

(d) Contributions under this section must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 353.65, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) With respect to members other than members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, or for members other than members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employer contribution is an amount equal to the following percentage of the total salary of each member, as follows: ~~14.4 percent before calendar year 2014; 15.3 percent in calendar year 2014; and 16.2 percent in calendar year 2015 and thereafter.~~

before January 1, 2018	16.2 percent
from January 1, 2018, through December 31, 2018	16.95 percent
from January 1, 2019, and thereafter	17.7 percent

(b) With respect to members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (b).

(c) With respect to members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (c).

(d) Contributions under this subdivision must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 11. Minnesota Statutes 2016, section 354.42, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) The employee contribution to the fund is the following percentage of the member's salary:

Period	Basic Program	Coordinated Program
~~from July 1, 2013, until June 30, 2014~~	~~10.5 percent~~	~~7 percent~~
~~after June 30, 2014~~ from July 1, 2014, through June 30, 2017	11 percent	7.5 percent
from July 1, 2017, through June 30, 2018	11.19 percent	7.69 percent
from July 1, 2018, through June 30, 2019	11.38 percent	7.88 percent
from July 1, 2019, through June 30, 2020	11.56 percent	8.06 percent
after June 30, 2020	11.75 percent	8.25 percent

(b) When an employee contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid for each employer unit with the first payroll cycle reported.

(c) After June 30, 2015, if a contribution rate revision is required under subdivisions 4a, 4b, and 4c, the employee contributions under paragraphs (a) and (b) must be adjusted accordingly.

(d) This contribution must be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution must be based on the entire salary received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 12. Minnesota Statutes 2016, section 354.42, subdivision 3, is amended to read:

Subd. 3. **Employer.** (a) The regular employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to the applicable following percentage of salary of each coordinated member and the applicable percentage of salary of each basic member specified in paragraph (c).

The additional employer contribution to the fund by Special School District No. 1, Minneapolis, is an amount equal to 3.64 percent of the salary of each teacher who is a coordinated member or who is a basic member.

(b) The regular employer contribution to the fund by Independent School District No. 709, Duluth, is an amount equal to the applicable percentage of salary of each old law or new law coordinated member specified for the coordinated program in paragraph (c).

(c) The employer contribution to the fund for every other employer is an amount equal to the applicable following percentage of the salary of each coordinated member and the applicable following percentage of the salary of each basic member:

Period	Coordinated Member	Basic Member
~~from July 1, 2013, until June 30, 2014~~	~~7 percent~~	~~11 percent~~
~~after June 30, 2014~~ from July 1, 2014, through June 30, 2017	7.5 percent	11.5 percent
from July 1, 2017, through June 30, 2018	7.75 percent	11.75 percent
from July 1, 2018, through June 30, 2019	8.0 percent	12 percent
from July 1, 2019, through June 30, 2020	8.25 percent	12.25 percent
after June 30, 2020	8.5 percent	12.5 percent

(d) When an employer contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid for each employer unit with the first payroll cycle reported.

(e) After June 30, 2015, if a contribution rate revision is made under subdivisions 4a, 4b, and 4c, the employer contributions under paragraphs (a), (b), and (c) must be adjusted accordingly.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2016, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) The contribution required to be paid by each member of the St. Paul Teachers Retirement Fund Association is the percentage of total salary specified below for the applicable association and program:

Program	Percentage of Total Salary
St. Paul Teachers Retirement Fund Association	
~~basic program after June 30, 2014~~	~~9 percent~~
~~basic program after June 30, 2015~~	~~9.5 percent~~
basic program after June 30, 2016	10 percent
basic program after June 30, 2021	10.25 percent
~~coordinated program after June 30, 2014~~	~~6.5 percent~~
~~coordinated program after June 30, 2015~~	~~7 percent~~
coordinated program after June 30, 2016	7.5 percent
coordinated program after June 30, 2021	7.75 percent

(b) Contributions must be made by deduction from salary and must be remitted directly to the St. Paul Teachers Retirement Fund Association at least once each month.

(c) When an employee contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 14. Minnesota Statutes 2016, section 354A.12, subdivision 2a, is amended to read:

Subd. 2a. **Employer regular and additional contributions.** (a) The employing units shall make the following employer contributions to the teachers retirement fund association:

(1) for ~~any~~ each coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

~~after June 30, 2014~~	~~5.5 percent~~
~~after June 30, 2015~~	~~6 percent~~
after June 30, 2016	6.25 percent
after June 30, 2017	~~6.5~~ 7 percent
after June 30, 2018	7.75 percent
after June 30, 2019	8.25 percent
after June 30, 2020	9 percent

(2) for ~~any~~ each basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount according to the schedule below:

~~after June 30, 2014~~	~~9 percent of salary~~
~~after June 30, 2015~~	~~9.5 percent of salary~~
after June 30, 2016	9.75 percent of salary
after June 30, 2017	~~10~~ 10.5 percent of salary
after June 30, 2018	11.25 percent of salary
after June 30, 2019	11.75 percent of salary
after June 30, 2020	12.5 percent of salary

(3) for ~~a~~ each basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.64 percent of the salary of the basic member;

(4) for ~~a~~ each coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.84 percent of the coordinated member's salary.

(b) The regular and additional employer contributions must be remitted directly to the St. Paul Teachers Retirement Fund Association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

(d) When an employer contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

EFFECTIVE DATE. This section is effective July 1, 2017.

ARTICLE 8

DIRECT STATE AID

Section 1. Minnesota Statutes 2016, section 353.65, is amended by adding a subdivision to read:

Subd. 3b. **Direct state aid.** The state shall pay $4,500,000 on October 1, 2018, and October 1, 2019, to the public employees police and fire retirement plan. By October 1 of each year after 2019, the state shall pay to the public employees police and fire retirement plan $9,000,000.

Sec. 2. Minnesota Statutes 2016, section 354A.12, subdivision 3a, is amended to read:

Subd. 3a. **Direct state aid to first class city teachers retirement fund associations.** (a) The state shall pay $2,827,000 to the St. Paul Teachers Retirement Fund Association.

(b) In addition to other amounts specified in this subdivision, the state shall pay $7,000,000 as state aid to the St. Paul Teachers Retirement Fund Association.

(c) In addition to the amounts specified in paragraphs (a) and (b), the state shall pay $5,000,000 as state aid to the St. Paul Teachers Retirement Fund Association.

~~(c)~~ (d) The aid under this subdivision is payable October 1 annually. The commissioner of management and budget shall pay the aid specified in this subdivision. The amount required is appropriated annually from the general fund to the commissioner of management and budget.

EFFECTIVE DATE. This section is effective July 1, 2017.

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APPENDIX
Article locations in LCPR17-038

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3A.12 COVERAGE BY MORE THAN ONE RETIREMENT SYSTEM OR ASSOCIATION.

Subdivision 1. **Entitlement to annuity.** (a) Any legislator who has been a member of a retirement plan listed in paragraph (b) is entitled, when otherwise qualified, to a retirement allowance or annuity from each plan if the total allowable service in all plans or in any two of these plans totals ten or more years.

(b) This section applies to any retirement plan or program administered by the Minnesota State Retirement System, or any retirement plan administered by the Public Employees Retirement Association, including the Public Employees Retirement Association police and fire fund, or the Teachers Retirement Association, or the Minneapolis employees retirement plan, or the State Patrol retirement plan, or any other public employee retirement system in the state of Minnesota having a like provision.

(c) This section does not apply to other retirement plans providing benefits for police or firefighters.

(d) No portion of the allowable service upon which the retirement annuity from one plan is based is again used in the computation for benefits from another plan. The annuity from each plan must be determined by the appropriate provisions of the law, except that the requirement that a person must have a minimum number of years of allowable service in the respective system or association does not apply for the purposes of this section if the combined service in two or more of these plans equals ten or more years. The augmentation of deferred annuities provided in section 3A.02, subdivision 4, applies to the annuities accruing under this section.

Subd. 2. **Refund repayment.** A former legislator who has received a refund as provided in section 3A.03, subdivision 2, who is a currently contributing member of a retirement plan specified in subdivision 1, paragraph (b), may repay the refund as provided in section 3A.03, subdivision 2. A member of the legislature who has received a refund from any of the retirement plans specified in subdivision 1 may repay the refund to the respective plan under such terms and conditions consistent with the law governing the retirement plan if the law governing the plan permits the repayment of refunds. If the total amount to be repaid, including principal and interest exceeds $2,000, repayment maybe made in three equal installments over a period of 18 months, with the interest accrued during the period of the repayment added to the final installment.

352.045 PROCEDURE FOR REVISING EMPLOYEE AND EMPLOYER CONTRIBUTIONS IN CERTAIN INSTANCES.

Subdivision 1. **Application.** This section applies to the general state employees retirement plan established under this chapter, the correctional state employees retirement plan established under this chapter, and the state patrol retirement plan established under chapter 352B.

Subd. 2. **Determination.** For purposes of this section, a contribution sufficiency exists if, for the applicable plan, the total of the employee contributions, the employer contributions, and any additional employer contributions, if applicable, exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement. For purposes of this section, a contribution deficiency exists if, for the applicable plan, the total employee contributions, employer contributions, and any additional employer contributions are less than the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

Subd. 3a. **Contribution rate revision; general state employees retirement plan.** (a) Notwithstanding the contribution rates as specified in law governing the applicable retirement plan, the board of directors of the Minnesota State Retirement System may adjust the employee and employer contribution rates for the general state employees retirement plan if the regular actuarial valuation of the plan prepared under section 356.215 indicates that there is a contribution sufficiency greater than one percent of covered payroll or that there is a contribution deficiency under subdivision 2 equal to or greater than one-half of one percent of covered payroll.

(b) If the actuarially determined contribution of the plan is less than the total support provided by the combined employee and employer contribution rates by more than one percent of covered payroll, the plan employee and employer contribution rates may be decreased incrementally over one or more years to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. Any decrease in employee and employer contribution rates must not result in total contributions that are less than the sum of the normal cost and administrative expenses of the retirement plan.

(c) If the actuarially required contribution exceeds the total support provided by the employee and employer contribution rates, the board of directors may increase the employee and employer contribution rates equally to eliminate that contribution deficiency.

(d) To determine if an adjustment is to be made, the board of directors shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates calculated based on the actuarial value of assets and calculated based on the market value of assets; the funded ratio calculated based on the actuarial value of assets; the funded ratio calculated based on the market value of assets; the remaining number of years to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contribution projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

(e) Any adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following receipt of the most recent annual actuarial valuation prepared under section 356.215. The report must include draft legislation to revise the employee and employer contributions stated in plan law. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the adjustment becomes effective on the first day of the first full payroll period in the fiscal year following receipt of the most recent actuarial valuation that gave rise to the adjustment.

(f) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially determined contributions that are more than the total combined employee and employer contributions.

(g) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be made, the executive director must review any need for a change in actuarial assumptions, as recommended by the approved actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially determined contribution and must report to the Legislative Commission on Pensions and Retirement any decision by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(h) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the approved actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

Subd. 3b. **Contribution rate revision; correctional state employees retirement plan and State Patrol retirement plan.** (a) Subdivision 3a applies to the correctional state employees retirement plan under this chapter and to the State Patrol retirement plan established under chapter 352B, except as specified in paragraph (b) or (c).

(b) Any limitations on the amount of contribution rate changes stated in subdivision 3a apply only to the amount of the employee contribution revision. The employer contribution for the correctional state employees retirement plan or the State Patrol retirement plan, whichever is applicable, must be adjusted so that the employer contribution is equal to 60 percent of the sum of employee plus employer contributions.

(c) For the State Patrol retirement plan, a contribution sufficiency of up to two percent of covered payroll, rather than one percent, may be held in reserves without taking action to reduce employee and employer contributions.

352.72 COVERAGE BY MORE THAN ONE RETIREMENT SYSTEM.

Subdivision 1. **Entitlement to annuity.** (a) Any person who has been an employee covered by a retirement system listed in paragraph (b) is entitled when qualified to an annuity from each fund if total allowable service in all funds or in any two of these funds totals three or more years if employed before July 1, 2010, or totals five or more years if employed after June 30, 2010.

(b) This section applies to the Minnesota State Retirement System, the Public Employees Retirement Association including the Public Employees Retirement Association police and fire fund, the Teachers Retirement Association, the State Patrol Retirement Association, or any other public employee retirement system in the state with a similar provision, except as noted in paragraph (c).

(c) This section does not apply to other funds providing benefits for police officers or firefighters.

(d) No portion of the allowable service upon which the retirement annuity from one fund is based shall be again used in the computation for benefits from another fund. No refund may have been taken from any one of these funds since service entitling the employee to coverage under the system or the employee's membership in any of the associations last terminated. The annuity from each fund must be determined by the appropriate provisions of the law except that the requirement that a person must have at least a specific number of years of allowable service in the respective system or association does not apply for the purposes of this section if the combined service in two or more of these funds equals at least the longest period of allowable service of any of the applicable retirement plans.

Subd. 2. **Computation of deferred annuity.** (a) The deferred annuity, if any, accruing under subdivision 1, or section 352.22, subdivision 3, must be computed as provided in section 352.22, subdivision 3, on the basis of allowable service before termination of state service and augmented as provided herein. The required reserves applicable to a deferred annuity or to an annuity for which a former employee was eligible but had not applied or to any deferred segment of an annuity must be determined as of the date the benefit begins to accrue and augmented by interest compounded annually from the first day of the month following the month in which the employee ceased to be a state employee, or July 1, 1971, whichever is later, to the first day of the month in which the annuity begins to accrue. The rates of interest used for this purpose must be five percent compounded annually until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former employee attains age 55 or until January 1, 2012, whichever is earlier, and from the January 1 next following the attainment of age 55 to the effective date of retirement or until January 1, 2012, whichever is earlier, five percent compounded annually if the employee became an employee before July 1, 2006, 2.5 percent compounded annually until January 1, 2012, if the employee becomes an employee after June 30, 2006, and two percent compounded annually after December 31, 2011, irrespective of when the employee became a state employee. If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented by interest under this subdivision. The sum of the augmented required reserves so determined is the present value of the annuity. "Uninterrupted service" for the purpose of this subdivision means periods of covered employment during which the employee has not been separated from state service for more than two years. If a person repays a refund, the service restored by the repayment must be considered continuous with the next period of service for which the employee has credit with this system. The formula percentages used for each period of uninterrupted service must be those applicable to a new employee. The mortality table and interest assumption used to compute the annuity must be those in effect when the employee files application for annuity. This section does not reduce the annuity otherwise payable under this chapter.

(b) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former state employee who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and the tables adopted by the board and approved by the actuary retained under section 356.214.

Subd. 4. **Refund repayment.** Any person who has received a refund from the state employees retirement fund, and who is a member of a public retirement system included in subdivision 1, may repay the refund with interest to the state employees retirement fund. If a refund is repaid to the fund and more than one refund has been received from the fund, all refunds must be repaid. Repayment must be made as provided in section 352.23, and under terms and conditions consistent with that section as agreed upon with the director.

Subd. 5. **Early retirement.** The requirements and provisions for retirement before normal retirement age in sections 352.115, subdivision 1, and 352.116 also apply to an employee fulfilling the requirements with a combination of service as provided in subdivision 1.

352B.30 COVERAGE BY MORE THAN ONE RETIREMENT SYSTEM OR ASSOCIATION.

Subdivision 1. **Entitlement to annuity.** Any person who has been an employee covered by the Minnesota State Retirement System, or a member of the Public Employees Retirement Association including the Public Employees Retirement Association Police and Fire Fund, or the Teachers Retirement Association, or the State Patrol retirement fund, or any other public employee retirement system in Minnesota having a like provision but excluding all other funds providing benefits for police or firefighters is entitled when qualified to an annuity from each fund if total allowable service in all funds or in any two of these funds totals the number of years of allowable service required by the applicable retirement plan with the longest vesting period for the person. No part of the allowable service upon which the retirement annuity from one fund is based may again be used in the computation for benefits from another fund. The member must not have taken a refund from any one of these funds since service entitling the member to coverage under the system or membership in any of the associations last terminated. The annuity from each fund must be determined by the appropriate law except that the requirement that a person must have at least a specific number of years allowable service in the respective system or association does not apply for the purposes of this section if the combined service in two or more of these funds equals the number of years of allowable service required by the applicable retirement plan with the longest vesting period for the person.

Subd. 2. **Computation of deferred annuity.** Deferred annuities must be computed according to this chapter on the basis of allowable service before termination of service and augmented as provided in this chapter. The required reserves applicable to a deferred annuity must be augmented by interest compounded annually from the first day of the month following the month in which the member terminated service, or July 1, 1971, whichever is later, to the first day of the month in which the annuity begins to accrue. The rates of interest used for this purpose must be five percent per year compounded annually until January 1, 1981, three percent per year compounded annually after January 1, 1981, until January 1, 2012, if the employee became an employee before July 1, 2006, 2.5 percent compounded annually if the employee becomes an employee after June 30, 2006, and two percent per year compounded annually after December 31, 2011, irrespective of when the employee was first employed. The mortality table and interest assumption used to compute the annuity must be those in effect when the member files application for annuity.

Subd. 3. **Refund repayment.** A person who has received a refund from the State Patrol retirement fund who is a member of a public retirement system included in subdivision 1, may repay the refund with interest to the State Patrol retirement fund as provided in section 352B.11, subdivision 4.

Subd. 4. **1997 postretirement fund interest changes.** The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained under section 356.214.

353.27 GENERAL EMPLOYEES RETIREMENT FUND.

Subd. 3b. **Change in employee and employer contributions in certain instances.** (a) For purposes of this section:

(1) a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement; and

(2) a contribution deficiency exists if the total of the employee contributions under subdivision 2, the employer contributions under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision is less than the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) Notwithstanding the contribution rate provision specified under subdivisions 2, 3, and 3a, the board of trustees of the Public Employees Retirement Association may adjust the employee and employer contributions to the general employees retirement plan under subdivisions 2 and 3 if the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association prepared under section 356.215 indicates that there is a contribution sufficiency under paragraph (a) greater than one percent of covered payroll or that there is a contribution deficiency under paragraph (a) equal to or greater than one-half of one percent of covered payroll.

(c) If the actuarially determined contribution of the general employees retirement plan is less than the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, by more than one percent of covered payroll, the general employees retirement plan coordinated program employee and employer contribution rates under subdivisions 2 and 3 may be decreased over one or more years to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. Any decrease in employee and employer contribution rates must not result in total contributions that are less than the total of the normal cost of the retirement plan and the administrative expenses of the retirement plan.

(d) If the actuarially determined contribution exceeds the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, the board of trustees may increase the employee and matching employer contribution rates to eliminate that contribution deficiency.

(e) To determine if an adjustment is to be made, the board of trustees shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates based on actuarial value of assets and contribution rates based on the market value of assets; the funded ratio based on the actuarial value of assets and based on the market value of assets; the number of years remaining to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contributions projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

(f) Any adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following the receipt of the most recent annual actuarial valuation prepared under section 356.215. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment becomes effective for any salary paid on or after the January 1 next following the legislative session in which the Legislative Commission on Pensions and Retirement did not take any action to disapprove or modify the Public Employees Retirement Association Board of Trustees' adjustment to the employee and employer rates.

(g) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially determined contributions that are more than the total combined employee and employer contributions under subdivisions 2, 3, and 3a.

(h) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be made, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially determined contribution and must report to the Legislative Commission on Pensions and Retirement any decision by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(i) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the approved actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

353.71 COVERAGE BY MORE THAN ONE RETIREMENT SYSTEM; DEFERRED ANNUITY; AUGMENTATION.

Subdivision 1. **Eligibility.** Any person who has been a member of a defined benefit retirement plan administered by the Public Employees Retirement Association, or a retirement plan administered by the Minnesota State Retirement System, or the Teachers Retirement Association, or any other public retirement system in the state of Minnesota having a like provision, except a retirement plan providing benefits for police officers or firefighters governed by sections 424A.091 to 424A.096, or by Laws 2013, chapter 111, article 5, sections 31 to 42, is entitled, when qualified, to an annuity from each retirement plan if the total allowable service in all retirement plans or in any two of these retirement plans totals the number of years of allowable service required to receive a normal retirement annuity for that retirement plan, provided that no portion of the allowable service upon which the retirement annuity from one retirement plan is based is again used in the computation for benefits from another retirement plan and provided further that the person has not taken a refund from any one of these retirement plans since the person's membership in that association or system last terminated. The annuity from each fund must be determined by the appropriate provisions of the law except that the requirement that a person must have at least a specific minimum period of allowable service in the respective association or system does not apply for the purposes of this section if the combined service in two or more of these retirement plans equals the number of years of allowable service required to receive a normal retirement annuity for that retirement plan.

Subd. 2. **Deferred annuity computation; augmentation.** (a) The deferred annuity accruing under subdivision 1, or under sections 353.34, subdivision 3, and 353.68, subdivision 4, must be computed on the basis of allowable service prior to the termination of public service and augmented as provided in this subdivision. The required reserves applicable to a deferred annuity, or to any deferred segment of an annuity must be determined as of the first day of the month following the month in which the former member ceased to be a public employee, or July 1, 1971, whichever is later.

(b) For a person who became a public employee before July 1, 2006, whose period of deferral began after June 30, 1971, and who terminated public employment before January 1, 2012, the required reserves of the deferred annuity must be augmented at the following applicable rate or rates:

(1) five percent annual compound interest until January 1, 1981;

(2) three percent annual compound interest after January 1, 1981, or until the earlier of December 31, 2011, or after the date of the termination of public service or the termination of membership, whichever is later, until January 1 of the year following the year in which the former member attains age 55;

(3) five percent annual compound interest from January 1 of the year following the year in which the former member attains age 55, or until December 31, 2011, whichever is earlier; and

(4) one percent annual compound interest from January 1, 2012.

(c) For a person who became a public employee after June 30, 2006, and who terminated public employment before January 1, 2012, the required reserves of the deferred annuity must be augmented at 2.5 percent annual compound interest from the date of termination of public service or termination of membership, whichever is earlier, until December 31, 2011, and one percent annual compound interest after December 31, 2011.

(d) For a person who terminates public employment after December 31, 2011, the required reserves of the deferred annuity must not be augmented.

(e) If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented as specified in this paragraph. The sum of the augmented required reserves is the present value of the annuity. Uninterrupted service for the purpose of this subdivision means periods of covered employment during which the employee has not been separated from public service for more than two years. If a person repays a refund, the restored service must be considered as continuous with the next period of service for which the employee has credit with this association. This section must not reduce the annuity otherwise payable under this chapter. This paragraph applies to individuals who become deferred annuitants on or after July 1, 1971. For a member who became a deferred annuitant before July 1, 1971, the paragraph applies from July 1, 1971, if the former active member applies for an annuity after July 1, 1973.

(f) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, or the survivor benefit payable on behalf of a basic or police and fire member who was receiving disability benefits before July 1, 1997, which is first payable after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained under section 356.214.

Subd. 4. **Repayment of refund.** Any person who has received a refund from the Public Employees Retirement Association and who is a member of any public retirement system referred to in subdivision 1, may repay such refund to the Public Employees Retirement Association as provided in section 353.35.

Subd. 5. **Early retirement.** The requirements and provisions for retirement prior to normal retirement age contained in section 353.30, shall also apply to a person fulfilling such requirements with a combination of service as provided in subdivision 1.

354.42 CONTRIBUTIONS BY EMPLOYER AND EMPLOYEE.

Subd. 4a. **Determination.** (a) For purposes of this section, a contribution sufficiency exists if the total of the employee contributions, the employer contributions, and any additional employer contributions, if applicable, exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) For purposes of this section, a contribution deficiency exists if the total of the employee contributions, the employer contributions, and any additional employer contributions are less than the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

Subd. 4b. **Contribution rate revision.** (a) Notwithstanding the contribution rate provisions under subdivisions 2 and 3, the Board of Trustees of the Teachers Retirement Association may adjust the employee and employer contribution rates if the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution sufficiency under subdivision 4a equal to or greater than one percent of covered payroll or if the regular valuation of the plan under section 356.215 indicates that there is a deficiency equal to or greater than one-half of one percent of covered payroll. Any decrease in employee and employer contribution rates must not result in the total of contribution rates that is less than the total of normal cost and administrative expenses.

(b) To determine if an adjustment is to be made, the board of trustees shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates based on actuarial value of assets and contribution rates based on the market value of assets; the funded ratio based on the actuarial value of assets and based on the market value of assets; the number of years remaining to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contributions projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

Subd. 4c. **Contribution sufficiency measures.** (a) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions being collected.

(b) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be recommended, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the retirement plan, that may result in an increase in the actuarially required contribution and must report to the Legislative Commission on Pensions and Retirement any recommendation by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(c) A contribution sufficiency in excess of one percent of covered pay must not be used to increase benefits, and a benefit increase must not be proposed that would initiate an automatic adjustment under this section to increase contributions. A proposed benefit improvement must include a recommendation, prepared by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement, as provided under section 356.214, subdivision 4, on the manner in which the benefit modification is to be funded.

Subd. 4d. **Reporting; commission review.** A contribution rate increase or decrease made under subdivision 4b must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement on or before the next February 1 and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination that a contribution deficiency or sufficiency exists based on the most recent actuarial valuation under section 356.215.

354.60 SERVICE IN OTHER PUBLIC RETIREMENT FUNDS; ANNUITY.

Any person who has been a member of the Minnesota state retirement system or the Public Employees Retirement Association including the Public Employees Retirement Association police and fire fund or the Teachers Retirement Association or the Minnesota State Patrol Retirement Association, or any other public employee retirement system in the state of Minnesota having a like provision but excluding all other funds providing benefits for police officers or firefighters shall be entitled when qualified to an annuity from each fund if the person's total allowable service in all three funds or in any two of these funds totals three or more years, provided no portion of the allowable service upon which the retirement annuity from one fund is based is again used in the computation for benefits from another fund and provided further that the person has not taken a refund from any one of these three funds since the person's membership in that association has terminated. The annuity from each fund shall be determined by the appropriate provisions of the law except that the requirement that an annuitant have at least three years' membership service or three years of allowable service in the respective association shall not apply for the purposes of this section provided the combined service in two or more of these funds equals three or more years.

354A.29 ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION POSTRETIREMENT ADJUSTMENT.

Subd. 8. **Calculation of postretirement adjustments; percentage based.** (a) For purposes of computing postretirement adjustments for eligible benefit recipients of the St. Paul Teachers Retirement Fund Association, the accrued liability funding ratio based on the actuarial value of assets of the plan as determined by the two most recent actuarial valuations prepared under sections 356.214 and 356.215 determines the postretirement increase, as follows:

Funding ratio	Postretirement increase
Less than 80 percent	1 percent
At least 80 percent but less than 90 percent	2 percent

(b) The amount determined under paragraph (a) is the full postretirement increase to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred after January 1 of the calendar year immediately before the postretirement increase is applied, the amount determined under paragraph (a) must be reduced by 50 percent.

(c) If the accrued liability funding ratio based on the actuarial value of assets is at least 90 percent in two consecutive actuarial valuations, subsequent postretirement increases must be paid as specified in subdivision 9.

(d) If, following a postretirement increase under paragraph (a), the accrued liability funding ratio, based on the actuarial value of assets, falls below 80 percent for two consecutive actuarial valuations, the applicable postretirement increase must be reduced to one percent until January 1 of the calendar year next following the date on which the requirements for an increase under paragraph (a) are again satisfied.

Subd. 9. **Calculation of postretirement adjustments.** (a) This subdivision applies if the requirements of subdivision 8, paragraph (c), have been satisfied.

(b) A percentage adjustment must be paid under this subdivision to eligible persons under subdivision 7.

(c) The amount of 2.5 percent is the full postretirement adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred after January 1 of the calendar year immediately before the postretirement adjustment is applied, the postretirement adjustment amount must be reduced by 50 percent.

(d) In the event the accrued liability funding ratio based on the actuarial value of assets falls below 90 percent for two consecutive actuarial valuations, the applicable postretirement increase must be determined under subdivision 8 until January 1 of the calendar year next following the date on which the requirements of subdivision 8, paragraph (c), are again satisfied.

354A.39 SERVICE IN OTHER PUBLIC RETIREMENT FUNDS; ANNUITY.

Any person who has been a member of the Minnesota State Retirement System, the Public Employees Retirement Association including the Public Employees Retirement Association Police and Fire Fund, the Teachers Retirement Association, the Minnesota State Patrol Retirement Association, the legislators retirement plan, the constitutional officers retirement plan, the St. Paul Teachers Retirement Fund Association coordinated program, or any other public employee retirement system in the state of Minnesota having a like provision, but excluding all other funds providing retirement benefits for police officers or firefighters, is entitled, when qualified, to an annuity from each fund if the person's total allowable service in all of the funds or in any two or more of the funds totals three or more years, provided that no portion of the allowable service upon which the retirement annuity from one fund is based is used again in the computation for a retirement annuity from another fund and provided further that the person has not taken a refund from any of funds or associations since the person's membership in the fund or association has terminated. The annuity from each fund or association must be determined by the appropriate provisions of the law governing each fund or association, except that the requirement that a person must have at least three years of allowable service in the respective fund or association does not apply for the purposes of this section, provided that the aggregate service in two or more of these funds equals three or more years.